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REALPOWER LIMITED

FINANCIAL STATEMENTS

YEAR ENDED

31 DECEMBER 2005



REALPOWER LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2005

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REALPOWER LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2005

Directors

MT Shearstone
PR Needham

Secretary

CL Shearstone

Registered office

Enviro Building
Private Road No. 4
Colwick Industrial Estate
Nottingham
NG4 2JT

Auditors

Cooper Parry LLP
14 Park Row
Nottingham
NG1 6GR

Registered number

4727708

REALPOWER LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the financial statements of the company for the year ended 31 December 2005.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Activities

The company's principal activity during the year was that of a holding company.

Review of the business

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The trading profit for the year, after taxation, amounted to £154,323 (2004: £154,602). During the year dividends of £60,000 (2004: £39,000) were paid, at the year end there were dividends proposed totalling £70,000 (2004: £60,000).

Directors and their interests

The directors who have held office during the year are listed on page 1.

The interests of the directors, including family interests, in the share capital of the company are as follows:

	Ordinary shares of £1 each	
	31 December 2005	1 January 2005
MT Shearstone	160,000	160,000
PR Needham	-	-
	'B' Ordinary shares of £1 each	
	31 December 2005	1 January 2005
MT Shearstone	-	-
PR Needham	40,000	40,000

REALPOWER LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Auditors

Cooper Parry LLP were appointed auditors to the company during the year and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Signed on behalf of the board of directors



CL Shearstone
Secretary

Approved by the board on 2 May 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

REALPOWER LIMITED

We have audited the financial statements of Realpower Limited on pages 5 to 15 for the year ended 31 December 2005. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

NOTTINGHAM


COOPER PARRY LLP

Chartered Accountants

Registered Auditor

3 May 2006

REALPOWER LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Notes	2005 £	2004 £
Administrative expenses		(348,676)	(288,420)
Other operating income		485,399	440,444
Operating profit		<u>136,723</u>	<u>152,024</u>
Investment income	5	50,000	50,000
Interest receivable	5	7	-
Interest payable	6	(6,157)	(18,881)
Profit on ordinary activities before taxation	2	<u>180,573</u>	<u>183,143</u>
Tax on profit on ordinary activities	7	(26,250)	(28,541)
Profit on ordinary activities after taxation	14	<u><u>154,323</u></u>	<u><u>154,602</u></u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above two financial years.

Note of historical cost profits and losses

There is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

The notes on pages 8 to 15 form part of these financial statements.

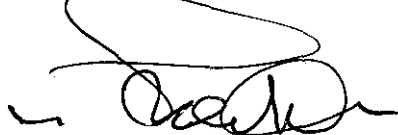
REALPOWER LIMITED

BALANCE SHEET

At 31 December 2005

		2005		2004	
	Notes	£	£	as restated	£
Fixed assets					
Tangible assets	8		303,135		326,451
Investments	9		1,969,232		1,969,232
			<u>2,272,367</u>		<u>2,295,683</u>
Current assets					
Debtors	10	77,900		251,209	
Cash at bank and in hand		12,901		36,355	
		<u>90,801</u>		<u>287,564</u>	
Creditors: amounts falling due within one year	11	(99,417)		(87,630)	
Net current (liabilities)/assets			<u>(8,616)</u>		<u>199,934</u>
Total assets less current liabilities			2,263,751		2,495,617
Creditors: amounts falling due after more than one year	12		(406,168)		(682,357)
			<u>1,857,583</u>		<u>1,813,260</u>
Capital and reserves					
Called up share capital	13		200,000		200,000
Share premium account	14		1,051,752		1,051,752
Profit and loss account	14		605,831		561,508
Shareholders' funds	15		<u>1,857,583</u>		<u>1,813,260</u>

Signed on behalf of the board of directors



MT Shearstone

Director

Approved by the board on 2 May 2006

The notes on pages 8 to 15 form part of these financial statements.

REALPOWER LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2005

		2005	2004
	Notes	£	as restated £
Net cash inflow from operating activities	20	47,871	37,290
Returns on investments and servicing of finance			
Interest received	7	-	-
Interest paid	(6,157)	(18,881)	(18,881)
Dividends received	50,000	50,000	50,000
Net cash inflow for returns on investments and servicing of finance		43,850	31,119
Taxation		(29,384)	(28,088)
Equity dividends paid		(60,000)	(39,000)
Financing			
Repayment of long term bank loan	(25,791)	(28,152)	(28,152)
Net cash outflow from financing		(25,791)	(28,152)
Increase in cash in the year	22	(23,454)	(26,831)

The notes on pages 8 to 15 form part of these financial statements.

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

1 Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets at the following annual rates to write off the cost less estimated residual value, of each asset over its expected useful life as follows:

Land and buildings Leasehold	5% straight line
------------------------------	------------------

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Pensions

Contributions in respect of the company's defined contribution scheme are charged to profit and loss account for the year in which they are payable to the scheme.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Dividends and prior year adjustment

In previous years, dividends paid during the year have been shown on the face of the profit and loss account as a deduction from the result for the year. In accordance with Financial Reporting Standard 21 "Events after the Balance Sheet Date" and amendments to the Companies Act 1985, dividends paid during the year are now charged directly against equity and shown as a deduction in the statement of retained profits (note 14 to the financial statements). This change in presentation has no effect on the result reported for either year nor on the net assets figure at either balance sheet date.

In previous years, dividends proposed at the balance sheet date have been shown on the face of the profit and loss account as a deduction from the result for the year and recognised as liabilities in the balance sheet. In accordance with Financial Reporting Standard 21 "Events after the Balance Sheet Date" and amendments to the Companies Act 1985, proposed dividends are no longer recognised as liabilities but disclosed in the statement of retained profits (note 14 to the financial statements) in the year in which they are proposed. They are deducted from retained profit in the year in which they are confirmed by the shareholders. Comparative figures have been restated and this has resulted in an increase of £10,000 in reported net assets at 31 December 2004.

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2005

2 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2005 £	2004 £
Auditors' remuneration	1,000	965
Depreciation of owned tangible assets	23,316	23,320
Management charges	(458,700)	(414,000)
Rents receivable	(26,699)	(26,444)
	<u> </u>	<u> </u>

3 Directors' emoluments

	2005 £	2004 £
Aggregate emoluments	<u>296,712</u>	<u>138,629</u>

4 Staff costs

The aggregate payroll costs including directors' emoluments were as follows:

	2005 £	2004 £
Salaries and wages	150,902	129,669
Social security costs	17,456	16,721
Other pension costs	138,000	68,000
	<u>306,358</u>	<u>214,390</u>

There were no employees during the year apart from the directors

5 Income from investments, other interest receivable and similar income

	2005 £	2004 £
Income from subsidiary undertakings	50,000	50,000
Bank interest	7	-
	<u>50,007</u>	<u>50,000</u>

6 Interest payable

	2005 £	2004 £
Bank loan interest	<u>6,157</u>	<u>18,881</u>

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2005

7	Taxation	2005 £	2004 £
	Domestic current year tax		
	U.K. corporation tax	26,866	30,000
	Adjustment for prior years	(616)	(1,459)
	Current tax charge	26,250	28,541
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	180,573	183,143
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	54,172	54,943
	Effects of:		
	Non deductible expenses	1,746	4,465
	Depreciation add back	6,995	6,996
	Capital allowances	(5,493)	(5,592)
	Adjustments to previous periods	(616)	(1,459)
	Dividends and distributions received	(15,000)	(15,000)
	Other tax adjustments	(15,554)	(15,812)
		(27,922)	(26,402)
	Current tax charge	26,250	28,541
8	Tangible fixed assets		
			Land and buildings Leasehold £
	Cost		
	At 1 January 2005 and at 31 December 2005		463,590
	Depreciation		
	At 1 January 2005		137,139
	Charge for the year		23,316
	At 31 December 2005		160,455
	Net book value		
	At 31 December 2005		303,135
	At 31 December 2004		326,451

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2005

9 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2005 and at 31 December 2005	1,969,232

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Icepower Limited	England & Wales	Ordinary	100
Wastecycle Limited	England & Wales	Ordinary	100
Realmalt 2 Limited	England & Wales	Ordinary	100
UK Recycling Limited	England & Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2005 £	Profit for the year 2005 £
Icepower Limited	245,517	-
Wastecycle Limited	1,760,203	563,394
Realmalt 2 Limited	60,000	-
UK Recycling Limited	1	-

On 21 February 2006, Icepower Limited and Realmalt 2 Limited were dissolved.

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2005

10 Debtors	2005 £	2004 £
Amounts owed by subsidiary undertakings	75,794	245,849
Other debtors	2,106	5,360
	<u>77,900</u>	<u>251,209</u>

Amounts falling due after more than one year and included in the debtors above are:

	2005 £	2004 £
Amounts owed by subsidiary undertakings	<u>75,794</u>	<u>-</u>

11 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	28,089	28,152
Trade creditors	1,763	5,866
Corporation tax	26,866	30,000
Other taxes and social security costs	7,113	7,876
Accruals	35,586	15,736
	<u>99,417</u>	<u>87,630</u>

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2005

12 Creditors: amounts falling due after more than one year	2005	2004 as restated
	£	£
Bank loans	100,651	126,379
Amounts owed to subsidiary undertakings	305,517	555,978
	<u>406,168</u>	<u>682,357</u>
Analysis of loans		
Repayable within five years by instalments:		
Bank loans and amounts owed to subsidiary undertakings	434,257	710,509
Included in current liabilities	(28,089)	(28,152)
	<u>406,168</u>	<u>682,357</u>
Instalments not due within five years	-	13,771

The bank loan is secured on the leasehold property of the company and bears interest at 1.5% above the bank's base lending rate.

13 Called up share capital	2005	2004
	£	£
Authorised:		
160,000 Ordinary shares of £1 each	160,000	160,000
40,000 'B' Ordinary shares of £1 each	40,000	40,000
	<u>200,000</u>	<u>200,000</u>
Allotted, issued and fully paid:		
160,000 Ordinary shares of £1 each	160,000	160,000
40,000 'B' Ordinary shares of £1 each	40,000	40,000
	<u>200,000</u>	<u>200,000</u>

The rights attached to each class of share are contained in the Article of Association of the company, which are available from Companies House.

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2005

14 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2005 as previously reported	1,051,752	501,508
Prior year adjustment	-	10,000
Balance at 1 January 2005 as restated	1,051,752	511,508
Profit retained for the year	-	154,323
Dividends paid		(60,000)
Balance at 31 December 2005	1,051,752	605,831

During the year dividends of £60,000 (2004: £39,000) were paid. At the year end dividends of £70,000 (2004: £60,000) were proposed.

15 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	154,323	154,602
Dividends paid	(60,000)	(39,000)
Opening shareholders' funds at 1 January 2005	1,813,260	1,658,658
Closing shareholders' funds at 31 December 2005	1,857,583	1,813,260

16 Contingent liabilities

The company has guaranteed the bank borrowings of its subsidiary company. At 31 December 2005 the contingent liability in respect of those guarantees amounted to £nil (2004: £nil).

17 Control

The company is controlled by MT Shearstone, a director and the majority shareholder.

18 Related party transactions

The company is related to Icepower Limited, Wastecycle Limited and Realmalt 2 Limited by virtue of them being subsidiary undertakings.

During the year the company received management charges of £458,700 (2004: £414,000), rent of £26,699 (2004: £26,444) and recharges of other costs of £8,914 (2004: £nil) from Wastecycle Limited. At the year end the company had balances with Wastecycle Limited of £75,794 (2004: £82,149) debtor and £nil (2004: £468,089) creditor.

At the year end the company had a creditor balance with Icepower Limited of £245,517 (2004: £27,889). The company also had a creditor balance with Realmalt 2 Limited of £60,000 (2004: £60,000).

REALPOWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2005

19 Post balance sheet events

On 21 February 2006, two of the company's subsidiaries, Icepower Limited and Realmalt 2 Limited were dissolved. The effect of the dissolution of these companies was to extinguish the amounts owed to these companies at 31 December 2005 as disclosed in note 18.

20 Reconciliation of operating profit to net cash inflow from operating activities	2005	2004
	£	£
Operating profit	136,723	152,024
Depreciation of tangible assets	23,316	23,320
Decrease/(increase) in debtors	173,309	(132,936)
Decrease in creditors within one year	(285,477)	(5,118)
Net cash inflow from operating activities	<u>47,871</u>	<u>37,290</u>

21 Reconciliation of net cash flow to movement in net debt	2005	2004
	£	£
Decrease in cash in the year	(23,454)	(26,831)
Cash outflow from decrease in debt	25,791	28,152
Movement in net debt in the year	2,337	1,321
Opening net debt	(118,176)	(119,497)
Closing net debt	<u>(115,839)</u>	<u>(118,176)</u>

22 Analysis of net debt	1 January 2005	Cash flow	31 December 2005
	£	£	£
Net cash:			
Cash at bank and in hand	36,355	(23,454)	12,901
Debts falling due within one year	(28,152)	63	(28,089)
Debts falling due after one year	(126,379)	25,728	(100,651)
	<u>(154,531)</u>	<u>25,791</u>	<u>(128,740)</u>
Net funds/(debt)	<u>(118,176)</u>	<u>2,337</u>	<u>(115,839)</u>