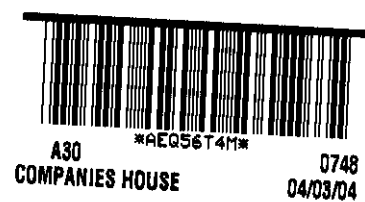


Castle Oils Limited

**Directors' report and financial
statements**

Registered number 01742061

Year ended 30 September 2003



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Company information

Directors MR Hewitt
 PK Meister
 HW Hughes (resigned 10 February 2003)
 AM Elliot

Secretary PK Meister

Registered office Treatment Centre
 Crompton Road
 Ilkeston
 Derbyshire
 DE7 4BG

Bankers National Westminster Bank plc
 PO Box 13
 5 Market Place
 Chesterfield
 Derbyshire
 S40 1TJ

Auditors KPMG LLP
 Altius House
 One North Fourth Street
 Milton Keynes
 Buckinghamshire
 MK9 1NE

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2003.

Principal activity

The principal activity of the company is oil reclamation and waste disposal.

Business review

The company trades as Castle Environmental.

The company improved its position during the year, albeit on a slightly reduced turnover. Gross profit margins were maintained and administrative expenses reduced, resulting in an increased operating profit year-on-year. Management focused on new areas of business and the profit before tax was improved.

The business will benefit from the Government's focus on hazardous waste management and oil processing as the result of European Directives and regulatory change.

The directors continue to consider that the company remains well positioned to take advantage of changes in legislation and regulation that are now coming into effect.

Dividends and transfers to reserves

The results for the year are shown in the profit and loss account on page 6.

The directors do not propose the payment of a dividend (2002: £Nil).

Market value of land and buildings

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts.

Directors and directors' interests

None of the directors hold an interest in the shares of the company as it is a wholly owned subsidiary of Castle Waste Services Limited. Castle Waste Services Limited is itself a wholly owned subsidiary of Castle Environmental Limited, which is in turn a wholly owned subsidiary of Hillbridge Investments Limited. The directors and their interests in the shares of that company are as follows:

| | At beginning and end of the year | |
|---------------------------------------|--|--|
| | 'A' ordinary shares of £0.01 each Number | 'B' ordinary shares of £0.01 each Number |
| MR Hewitt | - | 291,675 |
| PK Meister | - | - |
| HW Hughes – resigned 10 February 2003 | - | - |
| AM Elliott | - | - |

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company, were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'PK Meister', written over a horizontal line.

PK Meister
Secretary

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Altius House
1 North Fourth Street
Central Milton Keynes
Buckinghamshire MK9 1NE
United Kingdom

Independent auditors' report to the members of Castle Oils Limited

We have audited the financial statements on pages 6 to 16.

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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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, 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 transactions with the group is not disclosed.

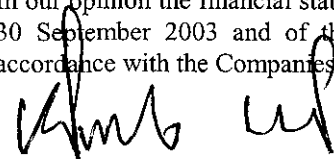
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 group'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 of the state of affairs of the company as at 30 September 2003 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditor

6 February 2004

Profit and loss account
for the year ended 30 September 2003

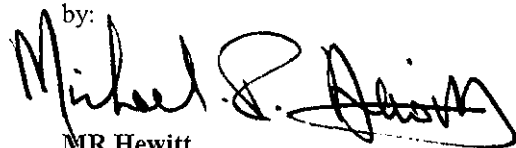
| | <i>Note</i> | 2003 | 2002 |
|--|-------------|-------------|-------------|
| | | £ | £ |
| Turnover | 2 | 1,802,998 | 2,101,714 |
| Cost of sales | | (783,342) | (957,324) |
| | | <hr/> | <hr/> |
| Gross profit | | 1,019,656 | 1,144,390 |
| Administrative expenses | | (866,451) | (1,005,128) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 153,205 | 139,262 |
| Interest payable and similar charges | 6 | (7,883) | (6,748) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 145,322 | 132,514 |
| Taxation on profit on ordinary activities | 7 | 4,603 | 5,266 |
| | | <hr/> | <hr/> |
| Retained profit for the financial year | 15 | 149,925 | 137,780 |
| | | <hr/> | <hr/> |

There are no recognised gains or losses in either year other than the profit for the year disclosed above.

Balance sheet
at 30 September 2003

| | <i>Note</i> | 2003 | | 2002 | |
|--|-------------|------------------|---|------------------|---|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 8 | 367,117 | | 327,154 | |
| Current assets | | | | | |
| Stocks | 9 | 9,300 | | 30,936 | |
| Debtors | 10 | 2,565,659 | | 2,404,359 | |
| Cash at bank and in hand | | 84,496 | | 105,762 | |
| | | <u>2,659,455</u> | | <u>2,541,057</u> | |
| Creditors: amounts falling due within one year | 11 | <u>(390,203)</u> | | <u>(423,965)</u> | |
| Net current assets | | <u>2,269,252</u> | | <u>2,117,092</u> | |
| Total assets less current liabilities | | <u>2,636,369</u> | | <u>2,444,246</u> | |
| Creditors: amounts falling due after more than one year | 12 | (85,601) | | (38,800) | |
| Provisions for liabilities and charges | 13 | (29,688) | | (34,291) | |
| Net assets | | <u>2,521,080</u> | | <u>2,371,155</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 14 | 162,408 | | 162,408 | |
| Profit and loss account | 15 | 2,358,672 | | 2,208,747 | |
| Shareholders' funds - equity interests | | <u>2,521,080</u> | | <u>2,371,155</u> | |

These financial statements were approved by the board of directors on 21/1/04 and were signed on its behalf by:


MR Hewitt
Director

Statement of total recognised gains and losses
for the year ended 30 September 2003

| | 2003 £ | 2002 £ |
|---|----------------|-----------|
| Profit for the financial year | 149,925 | 137,780 |
| Prior year adjustment (note 18) | - | (39,557) |
| | <hr/> | <hr/> |
| Total gains and losses recognised since last annual report | 149,925 | 98,223 |
| | <hr/> | <hr/> |

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2003

| | 2003 £ | 2002 £ |
|--------------------------------------|------------------|-----------|
| Profit for the financial year | 149,925 | 137,780 |
| Opening shareholders' funds | 2,371,155 | 2,233,375 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 2,521,080 | 2,371,155 |
| | <hr/> | <hr/> |

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Going concern

Having prepared projected cash flow information for the period ending 12 months from the date of their approval of these accounts, the directors, whilst recognising that cash flows cannot be predicted with absolute certainty, consider that the company will continue to operate within its currently agreed facilities. Accordingly, the accounts have been prepared on the going concern basis which the directors believe to be appropriate. The company's parent company has indicated that it will continue to provide financial support for the foreseeable future.

Depreciation

Depreciation of fixed assets is calculated to write off their cost less any residual value over the estimated useful lives as follows:

| | | |
|-----------------------|---|-----------------------|
| Freehold buildings | - | 2-6% on cost |
| Plant and machinery | - | 25% on net book value |
| Fixtures and fittings | - | 25% on net book value |
| Motor vehicles | - | 25% on net book value |

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a constant charge on the outstanding liability.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, purchase price is used.

Notes (continued)

1 Accounting policies (continued)

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the cash flows of the company in its consolidated cash flow statement.

2 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, entirely within the United Kingdom, stated net of value added tax.

3 Operating profit

| | 2003 £ | 2002 £ |
|--|-------------------|-------------------|
| <i>Operating profit is stated after charging:</i> | | |
| Auditors' remuneration | 2,100 | 2,100 |
| Depreciation of tangible fixed assets | | |
| - owned assets | 35,994 | 41,402 |
| - leased assets | 32,949 | 34,110 |
| Hire of plant and machinery – rentals payable under operating leases | 217,126 | 305,754 |
| Hire of other assets – rentals payable under operating leases | 13,421 | 21,211 |
| | <u> </u> | <u> </u> |

4 Directors and employees

The average number of persons employed by the company during the year (including directors), analysed by category was as follows:

| | 2003 Number | 2002 Number |
|-----------------------|-------------------|-------------------|
| Office and management | 4 | 5 |
| Operations and sales | 9 | 11 |
| | <u> </u> | <u> </u> |
| | 13 | 16 |
| | <u> </u> | <u> </u> |

The aggregate payroll costs of these persons were as follows:

| | 2003 £ | 2002 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 312,475 | 380,661 |
| Social security costs | 30,613 | 35,680 |
| | <u> </u> | <u> </u> |
| | 343,088 | 416,341 |
| | <u> </u> | <u> </u> |

Notes (continued)

5 Remuneration of directors

| | 2003 £ | 2002 £ |
|-----------------------|-----------|-----------|
| Director's emoluments | 22,716 | 50,500 |

6 Interest payable and similar charges

| | 2003 £ | 2002 £ |
|------------------------|-----------|-----------|
| Hire purchase interest | 7,883 | 6,748 |

7 Taxation

Analysis of charge in period

| | 2003 £ | 2003 £ | 2002 £ | 2002 £ |
|--|-----------|-----------|-----------|-----------|
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the period | 48,970 | | 45,914 | |
| Group relief | (48,970) | | (45,914) | |
| Total current tax | | - | | - |
| Deferred tax (see note 13) | | | | |
| Origination/reversal of timing differences in the period | (4,603) | | (5,266) | |
| | | (4,603) | | (5,266) |
| Tax on profit on ordinary activities | | (4,603) | | (5,266) |

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK 30% (2002: 30%). The differences are explained below.

| | 2003 £ | 2002 £ |
|---|-----------|-----------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 145,322 | 132,514 |
| Current tax at 30% (2002: 30%) | 43,597 | 39,754 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 770 | 894 |
| Capital allowances for period in excess of depreciation | 4,603 | 5,266 |
| Group relief not paid for | (48,970) | (45,914) |
| Total current tax charge (see above) | - | - |

Notes (continued)

8 Tangible fixed assets

| | Freehold buildings £ | Plant and machinery £ | Fixtures and fittings £ | Motor vehicles £ | Total £ |
|-----------------------|----------------------------|-----------------------------|-------------------------------|------------------------|------------|
| Cost | | | | | |
| At 1 October 2002 | 197,830 | 275,152 | 78,232 | 347,927 | 899,141 |
| Additions | - | 5,500 | - | 103,406 | 108,906 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 September 2003 | 197,830 | 280,652 | 78,232 | 451,333 | 1,008,047 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | | |
| At 1 October 2002 | 62,492 | 214,194 | 60,985 | 234,316 | 571,987 |
| Charge for year | 9,902 | 14,967 | 4,293 | 39,781 | 68,943 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 September 2003 | 72,394 | 229,161 | 65,278 | 274,097 | 640,930 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | | |
| At 30 September 2003 | 125,436 | 51,491 | 12,954 | 177,236 | 367,117 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 September 2002 | 135,338 | 60,958 | 17,247 | 113,611 | 327,154 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The net book value of plant and machinery and motor vehicles includes £nil (2002: £3,461) and £162,401 (2002: £91,945) respectively in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year totalled £nil (2002: £3,461) and £32,949 (2002: £30,649) respectively.

9 Stocks

| | 2003 £ | 2002 £ |
|-------------------------------------|-----------|-----------|
| Raw materials | - | 10,816 |
| Finished goods and goods for resale | 9,300 | 20,120 |
| | <hr/> | <hr/> |
| | 9,300 | 30,936 |
| | <hr/> | <hr/> |

Notes (continued)

10 Debtors

| | 2003 £ | 2002 £ |
|---------------------------------|------------------|------------------|
| Trade debtors | 324,940 | 326,799 |
| Amounts owed by group companies | 2,188,000 | 2,048,485 |
| Prepayments | 52,719 | 29,075 |
| | <u>2,565,659</u> | <u>2,404,359</u> |

11 Creditors: amounts falling due within one year

| | 2003 £ | 2002 £ |
|--|----------------|----------------|
| Obligations under finance leases and hire purchase contracts (note 12) | 42,335 | 36,400 |
| Trade creditors | 200,317 | 265,071 |
| Amounts owed to group companies | 91,771 | 51,874 |
| Other taxation and social security | 24,122 | 21,885 |
| Other creditors | 19,614 | 19,613 |
| Accruals and deferred income | 12,144 | 29,122 |
| | <u>390,203</u> | <u>423,965</u> |

12 Creditors: amounts falling due after more than one year

| | 2003 £ | 2002 £ |
|--|----------------|---------------|
| Obligations under finance leases and hire purchase contracts | 85,601 | 38,800 |
| Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows: | | |
| - in less than one year | 42,235 | 36,400 |
| - in one to two years | 35,680 | 22,800 |
| - in two to five years | 49,921 | 16,000 |
| | <u>127,836</u> | <u>75,200</u> |

Notes *(continued)*

13 Provisions for liabilities and charges

| | Deferred tax £ |
|----------------------|-------------------|
| At beginning of year | 34,291 |
| Credit for the year | (4,603) |
| | <hr/> |
| At end of year | 29,688 |
| | <hr/> |

The elements of deferred taxation are as follows:

| | 2003 £ | 2002 £ |
|--|-----------|-----------|
| Difference between accumulated depreciation and capital allowances | 29,688 | 34,291 |
| | <hr/> | <hr/> |

14 Called up share capital

| | 2003 £ | 2002 £ |
|---|-----------|-----------|
| <i>Authorised</i> | | |
| Ordinary shares of £1 each | 171,908 | 171,908 |
| | <hr/> | <hr/> |
| <i>Allotted, called up and fully paid</i> | | |
| Ordinary shares of £1 each | 162,408 | 162,408 |
| | <hr/> | <hr/> |

15 Profit and loss account

| | £ |
|------------------------------|-----------|
| At beginning of year | 2,208,747 |
| Retained profit for the year | 149,925 |
| | <hr/> |
| At end of year | 2,358,672 |
| | <hr/> |

Notes (continued)

16 Commitments

Annual commitments under non-cancellable operating leases are as follows:

| | 2003 | | 2002 | |
|--|----------------------------|----------------|----------------------------|---------------|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| Operating leases which expire: | | | | |
| Within one year | - | 34,002 | - | 12,554 |
| In the second to fifth years inclusive | 28,000 | 111,598 | 28,000 | 61,310 |
| | <u>28,000</u> | <u>145,600</u> | <u>28,000</u> | <u>73,864</u> |

The company had no capital commitments outstanding at the end of either financial year.

17 Contingent liabilities

The company has guaranteed the bank loans and overdraft of its ultimate holding company. The amount outstanding at the year end was £7,826,838 (2002: £7,826,838).

18 Prior year adjustment

In the year ended 30 September 2002, the year the company adopted FRS 19 'Deferred tax'. The effect of the adoption was to increase the current year's profit by £5,266. The impact on net assets for the year has been a decrease of £34,291.

The prior year adjustment amounted to £39,557 of which £1,873 related to the year ended 30 September 2001 and has been reflected in a restatement of the comparative figures for the year. The remaining £37,684 relates to previous periods and the reserves have been adjusted accordingly.

19 Ultimate parent company and controlling party

The company's immediate parent company is Castle Waste Services Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company and only group in which the results of the company are consolidated is Hillbridge Investments Limited, a company incorporated in Great Britain and registered in England and Wales.

The consolidated accounts of Hillbridge Investments Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

The ultimate controlling party is Bridgepoint Capital Limited.

Notes *(continued)*

20 Related party disclosures

The company has taken advantage of the exemption contained in FRS8 which applies to subsidiary undertakings and has not disclosed details of transactions with group companies which are included in the consolidated accounts of Hillbridge Investments Limited.