

Castle Oils Limited

**Directors' report and financial
statements**

Registered number 01742061

30 September 1998



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Company information

Directors	MR Hewitt PK Meister
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 Norfolk House Silbury Boulevard Central Milton Keynes MK9 2HA

Directors' report

The directors present their report and the audited financial statements for the eighteen months ended 30 September 1998.

Principal activity

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

Change of year end

The company has changed its period end to 30 September to bring it into line with other companies in the group. Consequently, the accounts have been made up for the eighteen months to 30 September 1998.

Business review and future developments

Ultimate ownership of the company changed during the period whereby the entire share capital of the company's ultimate holding company, Kenal Services Holdings Limited, was acquired by Hillbridge Investments Limited.

The company made good progress during the period and the pre-tax profits were in line with the directors' expectations. The directors consider that the company is well positioned to take advantage of significant trading opportunities that will emerge in the coming months.

Profit, dividends and appropriations

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

The directors do not propose the payment of an ordinary dividend.

Fixed assets

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 Kenal Services Limited. Kenal Services Limited is itself a wholly owned subsidiary of Kenal Services Holdings Limited. The directors and their interests in the shares of that company are as follows:

	30 September 1998 (or date of resignation)	31 March 1997 (or date of appointment)
	Ordinary shares Number	Ordinary shares Number
K Swift (resigned 27 February 1998)	-	1
JS Swift (resigned 27 February 1998)	-	5,000
MR Hewitt (appointed 27 February 1998)	-	-
PK Meister (appointed 27 February 1998)	-	-

In addition, K Swift had, until his resignation, an interest in the remaining 4,999 ordinary shares through his holding in Moresfield Limited, a non-resident trust.

Directors' report *(continued)*

Directors and directors' interests *(continued)*

On 27 February 1998, Hillbridge Investments Limited acquired the entire shareholding of Kenal Services Holdings Limited. The interests of the directors in the shares of that company are as follows:

	30 September 1998	
	'A' ordinary shares of £0.01 each Number	'B' ordinary shares of £0.01 each Number
MR Hewitt	-	291,675
PK Meister	-	-

Year 2000

The directors have considered the implication of the millennium bug and do not anticipate that the operational and business issues will have a significant impact on the company. Any costs incurred in addressing any issues will be charged directly to the profit and loss account.

Auditors

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

By order of the board



PK Meister
Secretary

10 November 1999

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;
- 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.



Norfolk House
Silbury Boulevard
Central Milton Keynes
MK9 2HA

Report of the auditors to the members of Castle Oils Limited

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 of the state of the company's affairs as at 30 September 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

15 November 1999

Profit and loss account

for the eighteen months ended 30 September 1998

	<i>Note</i>	18 months to 30 September 1998 £	Year to 31 March 1997 £
Turnover	2	2,734,403	1,651,826
Cost of sales		(1,302,506)	(904,736)
Gross profit		1,431,897	747,090
Administrative expenses		(1,058,610)	(615,179)
Operating profit	3	373,287	131,911
Interest receivable and similar income	5	149	-
Interest payable and similar charges	6	(5,663)	(399)
Profit on ordinary activities before taxation		367,773	131,512
Taxation	7	(132,203)	(63,966)
Retained profit for the financial period	15	235,570	67,546

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

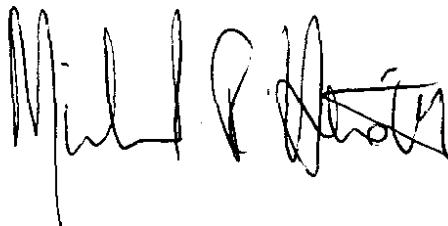
There are no recognised gains or losses in either period other than the profit for the period.

Balance sheet
at 30 September 1998

	<i>Note</i>	30 September 1998 £	£	31 March 1997 £	£
Fixed assets					
Tangible assets	8		295,801		245,081
Current assets					
Stocks	9		500		-
Debtors	10		1,165,448		897,289
Cash at bank and in hand			1,718		36,869
			<hr/>		<hr/>
			1,167,666		934,158
Creditors: amounts falling due within one year	11		(346,489)		(295,299)
			<hr/>		<hr/>
Net current assets			821,177		638,859
			<hr/>		<hr/>
Total assets less current liabilities			1,116,978		883,940
Creditors: amounts falling due after more than one year	12		(7,072)		-
			<hr/>		<hr/>
Provisions for liabilities and charges	13		(30,367)		(39,971)
			<hr/>		<hr/>
Net assets			1,079,539		843,969
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		162,408		162,408
Profit and loss account	15		917,131		681,561
			<hr/>		<hr/>
Shareholders' funds - equity interests	16		1,079,539		843,969
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 10 November 1999 and were signed on its behalf by:

MR Hewitt
Director



Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

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

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
Motor vehicles	-	25% on net book value
Fixtures and fittings	-	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 taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996), 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.

Notes (continued)

3 Operating profit

	Period ended 30 September 1998 £	Year ended 31 March 1997 £
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration	3,750	5,000
Depreciation of tangible fixed assets		
- owned assets	65,881	31,011
- leased assets	7,751	942
Loss on disposal of fixed assets	2,455	-
Hire of plant and machinery - rentals payable under operating leases	46,879	25,736
Hire of other assets - operating leases	12,750	8,500
	<u> </u>	<u> </u>

4 Staff numbers and costs

	Period ended 30 September 1998 £	Year ended 31 March 1997 £
Wages and salaries	484,384	307,658
Social security costs	52,766	30,220
	<u> </u>	<u> </u>
	537,150	337,878
	<u> </u>	<u> </u>

The average number of employees was as follows:

	Period ended 30 September 1998 Number	Year ended 31 March 1997 Number
Office and management	5	5
Production and sales	12	13
	<u> </u>	<u> </u>
	17	18
	<u> </u>	<u> </u>

No directors received any emoluments from the company.

5 Interest receivable and similar income

	Period ended 30 September 1998 £	Year ended 31 March 1997 £
Interest on corporation tax	149	-
	<u> </u>	<u> </u>

Notes *(continued)*

6 Interest payable and similar charges

	Period ended 30 September 1998 £	Year ended 31 March 1997 £
Hire purchase interest	989	399
Other interest	4,674	-
	<hr/> 5,663 <hr/>	<hr/> 399 <hr/>

7 Taxation

	Period ended 30 September 1998 £	Year ended 31 March 1997 £
UK Corporation tax on profit on ordinary activities at 31% (1997:33%)	117,396	31,815
Adjustment to prior years	24,411	(258)
Deferred taxation charge		
- current period	3,793	2,409
- adjustments in respect of the prior year	(13,397)	30,000
	<hr/> 132,203 <hr/>	<hr/> 63,966 <hr/>

Notes (continued)

8 Tangible fixed assets

	Freehold land & buildings £	Plant and machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 1 April 1997	154,630	146,147	32,598	188,583	521,958
Additions	32,602	41,719	26,371	30,145	130,837
Disposals	-	(4,000)	-	(44,306)	(48,306)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	187,232	183,866	58,969	174,422	604,489
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 1997	10,651	101,104	8,049	157,073	276,877
Charge for period	13,071	26,371	14,867	19,323	73,632
Disposals	-	(2,466)	-	(39,355)	(41,821)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	23,722	125,009	22,916	137,041	308,688
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 1998	163,510	58,857	36,053	37,381	295,801
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1997	143,979	45,043	24,549	31,510	245,081
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of fixtures and fittings and plant and machinery includes £545 (1997: £2,827) and £7,031 (1997: £Nil) respectively in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year totalled £2,282 (1997: £942) and £5,469 (1997: £Nil) respectively.

9 Stocks

	30 September 1998 £	31 March 1997 £
Raw materials and consumables	500	-
	<hr/>	<hr/>

Notes (continued)

10 Debtors

	30 September 1998 £	31 March 1997 £
<i>Amounts falling due within one year:</i>		
Trade debtors	376,880	311,698
Amounts owed by group companies	774,645	570,815
Other debtors	2,302	-
Prepayments and accrued income	11,621	14,776
	<u>1,165,448</u>	<u>897,289</u>

11 Creditors: amounts falling due within one year

	30 September 1998 £	31 March 1997 £
Bank overdraft	992	-
Trade creditors	129,660	206,682
Corporation tax	117,396	31,815
Other taxation and social security	45,430	27,391
Accruals and deferred income	50,511	28,127
Obligations under finance leases and hire purchase contracts (note 12)	2,500	1,284
	<u>346,489</u>	<u>295,299</u>

12 Creditors: amounts falling due after more than one year

	30 September 1998 £	31 March 1997 £
Obligations under finance leases and hire purchase contracts	7,072	-
These are repayable over varying periods by monthly instalments as follows:		
- in less than one year	2,500	1,284
- in one to two years	2,500	-
- in two to five years	4,572	-
	<u>9,572</u>	<u>1,284</u>

Notes (continued)

13 Provisions for liabilities and charges

	30 September 1998 £	31 March 1997 £
Deferred taxation on accelerated capital allowances	30,367	39,971
	<u>30,367</u>	<u>39,971</u>

The full potential liability has been provided.

Movements on the deferred tax account during the year were as follows:

	£
At 1 April 1997	39,971
Charge/(credit) to the profit and loss account	
- current period	3,793
- adjustments in respect of prior periods	(13,397)
	<u>30,367</u>
At 30 September 1998	<u>30,367</u>

14 Called up share capital

	30 September 1998 £	31 March 1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	171,908	171,908
	<u>171,908</u>	<u>171,908</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	162,408	162,408
	<u>162,408</u>	<u>162,408</u>

15 Profit and loss account

	30 September 1998 £	31 March 1997 £
At 1 April 1997	681,561	614,015
Retained profit for the period	235,570	67,546
	<u>917,131</u>	<u>681,561</u>
At 30 September 1998	<u>917,131</u>	<u>681,561</u>

Notes (continued)

16 Reconciliation of movements in shareholders' funds

	18 months ended 30 September 1998 £	Year ended 31 March 1997 £
Profit for the financial period	235,570	67,546
Opening shareholders' funds	843,969	776,423
	<hr/>	<hr/>
Closing shareholders' funds	1,079,539	843,969
	<hr/>	<hr/>

17 Commitments

At 30 September 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings £	Other £
Operating leases which expire:		
Within one year	8,500	26,779
In the second to fifth years inclusive	-	14,460
Over five years	-	-
	<hr/>	<hr/>
	8,500	41,239
	<hr/>	<hr/>

18 Ultimate parent company and controlling party

The company's immediate parent company is Kenal 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 NatWest Equity Partners Limited.

19 Related party disclosures

A management charge of £265,335 (1997: £147,633) from Kenal Services Limited has been included in administrative expenses.

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