

Castle Oils Limited

**Directors' report and financial
statements**

Registered number 01742061

30 September 2005



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Company information

Directors	MR Hewitt PK Meister AM Elliot DJ Tustin
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 St Nicholas House Park Row Nottingham NG1 6FQ

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2005.

Principal activity

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

Business review

The company trades as Castle Environmental.

Pricing in the Castle Oils Ltd's market sector remained very competitive, although the company increased its turnover by c. £600k. Both operating profit and post-tax profit remained at similar levels to the previous year.

The company, however, maintained a strong and competitive position in its sector and the directors are confident that the company's strategy will enable it to continue to take advantage of changes in its market arising from the EU Landfill Directive.

The directors continue to consider that the company remains well positioned to take advantage of its market potential.

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 (2004: £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 financial statements.

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 year	
	Shares of £0.01 each	
	'A' ordinary	'B' ordinary
	Number	Number
MR Hewitt	-	291,675
PK Meister	-	-
AM Elliott	-	-
DJ Tustin	-	-

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



PK Meister
Secretary

Dated: . . 7 July 2006

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

St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Independent auditors' report to the members of Castle Oils Limited

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

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditor

Dated: 17 July 2006

Profit and loss account
for the year ended 30 September 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	2,636,368	2,016,605
Cost of sales		(1,193,748)	(753,401)
Gross profit		1,442,620	1,263,204
Administrative expenses		(1,295,246)	(1,080,389)
Operating profit	3	147,374	182,815
Interest payable and similar charges	6	(8,879)	(9,791)
Profit on ordinary activities before taxation		138,495	173,024
Taxation on profit on ordinary activities	7	3,988	1,065
Retained profit for the financial year	15	142,483	174,089

In both the current and the preceding year, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains and losses in either the current or the preceding year other than those disclosed in the profit and loss account.

Balance sheet
as at 30 September 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Tangible assets	8		337,522		359,301
Current assets					
Stocks	9	1,106		7,995	
Debtors	10	3,531,465		2,751,468	
Cash at bank and in hand		102,457		67,959	
			<u>3,635,028</u>	<u>2,827,422</u>	
Creditors: amounts falling due within one year	11	(1,059,363)		(400,960)	
Net current assets			<u>2,575,665</u>		<u>2,426,462</u>
Total assets less current liabilities			<u>2,913,187</u>		<u>2,785,763</u>
Creditors: amounts falling due after more than one year	12		(50,900)		(61,971)
Provisions for liabilities and charges	13		(24,635)		(28,623)
Net assets			<u><u>2,837,652</u></u>		<u><u>2,695,169</u></u>
Capital and reserves					
Called up share capital	14		162,408		162,408
Profit and loss account	15		2,675,244		2,532,761
Shareholders' funds - equity interests	16		<u><u>2,837,652</u></u>		<u><u>2,695,169</u></u>

These financial statements were approved by the board of directors on 7 July 2006 and were signed on its behalf by:



MR Hewitt
 Director

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 financial statements, 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 financial statements 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 Financial Reporting Standard 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.

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.

Notes (continued)

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

	2005	2004
	£	£
Operating profit is stated after charging:		
Auditors' remuneration	1,000	1,000
Depreciation of tangible fixed assets - owned assets	40,011	42,348
- leased assets	38,778	38,062
Hire of plant and machinery - rentals payable under operating leases	172,393	191,768
Hire of other assets - rentals payable under operating leases	18,170	16,095
	<u>200,352</u>	<u>288,273</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:

	2005	2004
	Number	Number
Office and management	3	3
Operations and sales	7	9
	<u>10</u>	<u>12</u>
	£	£

The aggregate payroll costs of these persons were as follows:

Wages and salaries	204,766	296,778
Social security costs	20,636	29,937
	<u>225,402</u>	<u>326,715</u>

5 Remuneration of directors

	2005	2004
	£	£
Director's emoluments	-	-
	<u>-</u>	<u>-</u>

Notes (continued)

6 Interest payable and similar charges

	2005 £	2004 £
Hire purchase interest	8,879	9,791

7 Taxation

Analysis of charge in period

	2005 £	2004 £
<i>UK corporation tax</i>		
Current tax on income for the period	42,901	53,662
Group relief	(42,901)	(53,662)
Total current tax	-	-
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences in the period	(3,988)	(1,065)
Tax on profit on ordinary activities	(3,988)	(1,065)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2004: lower) than the standard rate of corporation tax in the UK 30% (2004: 30%). The differences are explained below.

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	138,495	173,024
Current tax at 30% (2004: 30%)	41,549	51,907
<i>Effects of:</i>		
Expenses not deductible for tax purposes	599	690
Capital allowances for period in excess of depreciation	3,988	1,065
Marginal rate tax adjustment	(756)	-
Group relief not paid for	(42,901)	(53,662)
Change in tax rate	(2,479)	-
Total current tax charge (see above)	-	-

Notes (continued)

8 Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Fixtures and fittings £	Motor Vehicles £	Total £
<i>Cost:</i>					
At 1 October 2004	197,830	355,806	78,232	370,398	1,002,266
Additions	5,190	4,665	7,155	40,000	57,010
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	203,020	360,471	85,387	410,398	1,059,276
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>					
At 1 October 2004	82,296	251,213	68,732	240,724	642,965
Charge for year	10,681	25,921	3,819	38,368	78,789
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	92,977	277,134	72,551	279,092	721,754
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>					
At 30 September 2005	110,043	83,338	12,836	131,309	337,522
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2004	115,534	104,593	9,500	129,674	359,301
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of plant and machinery and motor vehicles includes £27,464 (2004 £36,619) and £87,562 (2004: £98,492) respectively in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year totalled £9,155 (2004: £5,231) and £29,623 (2004: £32,831) respectively.

9 Stocks

	2005 £	2004 £
Finished goods and goods for resale	1,106	7,995
	<hr/>	<hr/>

10 Debtors

	2005 £	2004 £
Trade debtors	715,906	400,078
Amounts owed by group companies	2,768,000	2,293,140
Prepayments	47,559	58,250
	<hr/>	<hr/>
	3,531,465	2,751,468
	<hr/>	<hr/>

Notes (continued)

11 Creditors: amounts falling due within one year

	20045 £	2004 £
Obligations under finance leases and hire purchase contracts (note 12)	39,769	43,768
Trade creditors	310,680	163,434
Amounts owed to group companies	596,538	129,823
Other taxation and social security	57,136	25,498
Corporation taxation	-	-
Other creditors	-	-
Accruals and deferred income	55,240	38,437
	<u>1,059,363</u>	<u>400,960</u>

12 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Obligations under finance leases and hire purchase contracts	50,900	61,971
Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:		
- in less than one year	39,769	43,768
- in one to two years	34,907	27,768
- in two to five years	15,993	34,203
	<u>90,669</u>	<u>105,739</u>

13 Provisions for liabilities and charges

Deferred tax

	2005 £	2004 £
At beginning of year		28,623
Credit for the year		(3,988)
At end of year		<u>24,635</u>
The elements of deferred taxation are as follows:		
Difference between accumulated depreciation and capital allowances	<u>24,635</u>	<u>28,623</u>

Notes (continued)

14 Called up share capital

	2005 £	2004 £
<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	2,532,761
Retained profit for the year	142,483
	<hr/>
At end of year	2,675,244
	<hr/>

16 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	142,483	174,089
Opening shareholders' funds	2,695,169	2,521,080
	<hr/>	<hr/>
Closing shareholders' funds	2,837,652	2,695,169
	<hr/>	<hr/>

17 Commitments

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

	2005		2004	
	Land and buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within one year	-	115,527	-	203,687
In the second to fifth years inclusive	-	8,123	-	242,128
	<hr/>	<hr/>	<hr/>	<hr/>
	-	123,650	-	445,815
	<hr/>	<hr/>	<hr/>	<hr/>

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

Notes (continued)

18 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 (2004: £7,826,838).

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 financial statements of Hillbridge Investments Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

The ultimate controlling party is Bridgepoint Capital Limited.

20 Related party disclosures

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 which applies to subsidiary undertakings and has not disclosed details of transactions with group companies which are included in the consolidated financial statements of Hillbridge Investments Limited.