

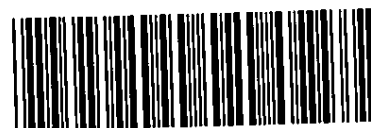
Castle Oils Limited

**Directors' report and financial
statements**

Registered number 01742061

30 September 2007

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Company information

Directors	MR Hewitt PK Meister AM Elliott 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 2007

Principal activity

The principal activity of the company is waste treatment and disposal

Business review

The company trades as Castle Environmental

2006/7 was a positive year, building upon the success of 2005/6. Pricing in the sector remained competitive, although the company again managed to improve performance at the operating profit level, whilst maintaining tight control of overheads. The company is investing material capital spend in core assets thus ensuring that the Stoke operation continues to improve its competitiveness.

The Directors are pleased to report that Castle Oils Limited was issued with a PPC licence during the year.

In line with the market opportunities presented by the EU landfill directive, the company is taking forward some exciting development projects.

The Directors remain of the opinion that the company is well positioned to profit from its market position and available assets.

Dividends and transfers to reserves

The results for the year are shown in the profit and loss account on page 5.

Dividends of £2,400,000 (2006: £nil) were paid during the year.

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

The directors who held office during the year and to the date of this report were as follows:

MR Hewitt

PK Meister

AM Elliott

DJ Tustin

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 18 December 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

Report of the independent auditors to the members of Castle Oils Limited

We have audited the financial statements of Castle Oils Limited for the year ended 30 September 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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

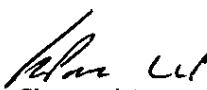
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


Chartered Accountants
Registered Auditor

Dated 18 December 2007

Profit and loss account
for the year ended 30 September 2007

	<i>Note</i>	2007 £	2006 £
Turnover	2	3,087,581	3,177,313
Cost of sales		(1,513,682)	(1,655,790)
Gross profit		<u>1,573,899</u>	<u>1,521,523</u>
Administrative expenses		(1,321,217)	(1,356,786)
Operating profit	3	<u>252,682</u>	<u>164,737</u>
Interest payable and similar charges	6	(11,685)	(8,985)
Profit on ordinary activities before taxation		<u>240,997</u>	<u>155,752</u>
Taxation on profit on ordinary activities	7	(84,345)	(31,801)
Profit for the financial year	17	<u><u>156,652</u></u>	<u><u>123,951</u></u>

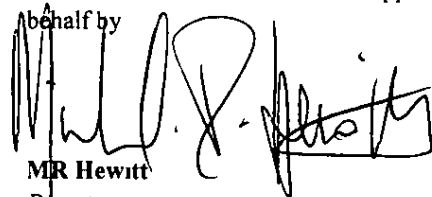
In both the current and the preceding year, the company made no material acquisitions and had no discontinued operations

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 2007

	<i>Note</i>	2007	2006
		£	£
Fixed assets			
Intangible assets	9	41,577	-
Tangible assets	10	342,490	371,696
		<hr/>	<hr/>
		384,067	371,696
Current assets			
Stocks	11	-	763
Debtors	12	2,855,663	3,420,623
Cash at bank and in hand		481,098	174,436
		<hr/>	<hr/>
		3,336,761	3,595,822
Creditors amounts falling due within one year	13	(2,962,376)	(921,056)
		<hr/>	<hr/>
Net current assets		374,385	2,674,766
		<hr/>	<hr/>
Total assets less current liabilities		758,452	3,046,462
Creditors amounts falling due after more than one year	14	(9,696)	(66,843)
Provisions for liabilities and charges	15	(30,501)	(18,016)
		<hr/>	<hr/>
Net assets		718,255	2,961,603
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	162,408	162,408
Profit and loss account	17	555,847	2,799,195
		<hr/>	<hr/>
Shareholders' funds - equity interests	18	718,255	2,961,603
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18 December 2007 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 financial statements, except as noted below

Basis of preparation

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
Fixtures and fittings	- 25% on net book value
Motor vehicles	- 25% to 35% on net book value

Licences

Costs incurred in the acquisition of site operating licences are capitalised as intangible assets and are amortised on a straight line basis over five years

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences the treatment of certain items for taxation and accounting purposes

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)

1 Accounting policies (continued)

Classification of financial instruments issued by the company

Under FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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

	2007 £	2006 £
<i>Operating profit is stated after (crediting)/charging</i>		
Depreciation of tangible fixed assets - owned assets	45,377	44,974
- leased assets	59,636	39,084
(Profit)/loss on disposal of fixed assets	(14,773)	1,569
Hire of plant and machinery - rentals payable under operating leases	20,660	118,702
Hire of other assets - rentals payable under operating leases	21,904	23,805
 <i>Auditors' remuneration</i>		
- audit of these financial statements	4,000	4,000

Notes (continued)

4 Directors and employees

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

	2007 Number	2006 Number
Office and management	4	4
Operations and sales	5	5
	<u>9</u>	<u>9</u>
	£	£
<i>The aggregate payroll costs of these persons were as follows</i>		
Wages and salaries	143,575	166,661
Social security costs	14,906	16,291
	<u>158,481</u>	<u>182,952</u>

5 Remuneration of directors

	2007 £	2006 £
Director's emoluments	<u>63,185</u>	<u>60,500</u>

Director's remuneration is recharged from Castle Waste Services Limited, the immediate parent company. The above emoluments are in respect to the management of the affairs of the company.

6 Interest payable and similar charges

	2007 £	2006 £
Hire purchase interest	<u>11,685</u>	<u>8,985</u>

Notes (continued)

7 Taxation

Analysis of charge in period

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the period	66,017	38,420
Adjustments in respect of prior years	5,843	-
	<hr/>	<hr/>
Total current tax	71,860	38,420
<i>Deferred tax (see note 15)</i>		
Origination/reversal of timing differences - current year	(697)	2,391
- prior year	13,182	(9,010)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>84,345</u>	<u>31,801</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	240,997	155,752
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	72,299	46,726
<i>Effects of</i>		
Expenses not deductible for tax purposes	829	1,603
Capital allowances for period in excess of depreciation	530	(2,861)
Marginal rate tax adjustment	(7,641)	(7,048)
Adjustments in respect of prior years	5,843	-
	<hr/>	<hr/>
Total current tax charge (see above)	<u>71,860</u>	<u>38,420</u>

8 Dividends

	2007 £	2006 £
Dividends paid in respect of the current year	<u>2,400,000</u>	<u>-</u>

Notes (continued)

9 Intangible assets

	Licences £
<i>Cost</i>	
At 1 October 2006	-
Additions	48,243
	<hr/>
At 30 September 2007	48,243
	<hr/>
<i>Accumulated amortisation</i>	
At 1 October 2006	-
Charge for year	6,666
	<hr/>
At 30 September 2007	6,666
	<hr/>
<i>Net book value</i>	
At 30 September 2007	41,577
	<hr/> <hr/>
At 30 September 2006	-
	<hr/> <hr/>

10 Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 October 2006	205,620	296,494	44,272	380,074	926,460
Additions	-	42,533	-	52,500	95,033
Disposals	-	-	-	(61,406)	(61,406)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	205,620	339,027	44,272	371,168	960,087
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>					
At 1 October 2006	103,762	199,019	37,371	214,612	554,764
Charge for year	11,944	32,703	2,371	57,995	105,013
Disposals	-	-	-	(42,180)	(42,180)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	115,706	231,722	39,742	230,427	617,597
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 September 2007	89,914	107,305	4,530	140,741	342,490
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2006	101,858	97,475	6,901	165,462	371,696
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of plant and machinery and motor vehicles includes £37,679 (2006 £55,890) and £123,827 (2006 £130,725) respectively in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year totalled £19,032 (2006 £10,074) and £51,093 (2006 £23,409) respectively.

Notes (continued)

11 Stocks

	2007 £	2006 £
Finished goods and goods for resale	-	763

12 Debtors

	2007 £	2006 £
Trade debtors	616,808	587,009
Amounts owed by group companies	2,221,404	2,809,360
Prepayments	17,451	24,254
	<u>2,855,663</u>	<u>3,420,623</u>

13 Creditors: amounts falling due within one year

	2007 £	2006 £
Obligations under finance leases and hire purchase contracts (note 14)	76,338	71,845
Trade creditors	270,139	276,421
Amounts owed to group companies	2,513,520	505,020
Other taxation and social security	9,455	24,025
Corporation taxation	32,197	12,171
Other creditors	-	4,374
Accruals and deferred income	60,727	27,200
	<u>2,962,376</u>	<u>921,056</u>

14 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Obligations under finance leases and hire purchase contracts	9,696	66,843
Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows		
- in less than one year	76,338	71,845
- in one to two years	9,696	59,233
- in two to five years	-	7,610
	<u>86,034</u>	<u>138,688</u>

Notes (continued)

15 Provisions for liabilities and charges

Deferred tax

	£
At beginning of year	18,016
Charge to the profit and loss account	12,485
At end of year	30,501
	<hr/>
	2007 2006
	£ £
<i>The elements of deferred taxation are as follows</i>	
Difference between accumulated depreciation and capital allowances	30,501 18,016
	<hr/> <hr/>

16 Called up share capital

	2007 £	2006 £
<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/>	<hr/> <hr/>

17 Profit and loss account

	£
At beginning of year	2,799,195
Profit for the year	156,652
Dividends	(2,400,000)
At end of year	555,847
	<hr/> <hr/>

18 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	156,652	123,951
Dividends	(2,400,000)	-
	<hr/>	<hr/>
(Reduction)/increase in shareholders' funds	(2,243,348)	123,951
Opening shareholders' funds	2,961,603	2,837,652
	<hr/>	<hr/>
Closing shareholders' funds	718,255	2,961,603
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2007		2006	
	Land and buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire				
Within one year	-	11,277	-	52,356
In the second to fifth years inclusive	-	-	-	11,715
	<hr/>	<hr/>	<hr/>	<hr/>
	-	11,277	-	64,071
	<hr/>	<hr/>	<hr/>	<hr/>

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

20 Contingent liabilities

The company has guaranteed the bank loans and overdraft of its ultimate holding company. The amount outstanding at the year end was £7,706,837 (2006 £7,826,838)

21 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

22 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