

Castle Oils Limited

**Directors' report and financial
statements**

Registered number 01742061

30 September 2011

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Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report to the members of Castle Oils Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

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 2011

Principal activity

The principal activity of the company is waste treatment and disposal

Business review

The company trades as Castle Environmental

The company progressed well during the year. The Directors have moved the business towards the higher end of the niche waste treatment market. This repositioning, coupled with continued commercialisation of the APCR recycling project, is expected to continue to deliver a profitable return.

Principal risks, uncertainties and financial management objectives

The key performance indicators for the business are cash flow and profitability and hence the most significant risks to the business are those that directly impact on these, which are correlated with general economic activity.

The company follows the following financial risk management policies:

Price risk

The business may be affected by rising costs of inputs, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The business continues to offset the risk of competitive pressure through continual improvement in its customer-focussed activities, providing a good quality service at a market price.

Interest rate risk

The company is exposed to movements in interest rates and seeks to mitigate such exposure by obtaining facilities on the most beneficial terms available.

Credit risk

Credit risk arises on assets such as trade debtors. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history before credit is granted.

Liquidity risk

Hillbridge Investments Limited Group of which this company is a part, has bank and cash balances of £2.3 million at the year end and a further short term borrowing facility which is currently unused. The Group also has existing loan facilities as detailed in note 15 of the consolidated financial statements. The directors are confident that the current funding structure is appropriate to allow the company to achieve its financial targets in the future.

Dividends and transfers to reserves

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

Dividends of £nil (2010: £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' report *(continued)*

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



PK Meister
Secretary

Dated 18 January 2012

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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



Independent auditors' report to the members of Castle Oils Limited

We have audited the financial statements of Castle Oils Limited for the year ended 30 September 2011 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

CN Parkin (*Senior Statutory Auditor*)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

Park Row

Nottingham NG1 6FQ

Dated 18 January 2012

Profit and loss account
for the year ended 30 September 2011

	<i>Note</i>	2011 £	2010 £
Turnover	2	2,194,153	1,996,756
Cost of sales		<u>(1,855,781)</u>	<u>(1,511,215)</u>
Gross profit		338,372	485,541
Administrative expenses		<u>(267,146)</u>	<u>(418,124)</u>
Operating profit	3	71,226	67,417
Profit on disposal of fixed assets		<u>2,136</u>	<u>-</u>
Profit on ordinary activities before taxation		73,362	67,417
Taxation on profit on ordinary activities	6	<u>(9,931)</u>	<u>(17,430)</u>
Profit for the financial year	13	<u>63,431</u>	<u>49,987</u>

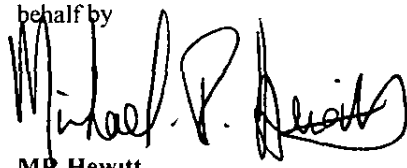
In both the current and the preceding year, the company made no material acquisitions and had no discontinued operations

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 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Intangible assets	7		9,472		12,630
Tangible assets	8		512,871		574,269
			<hr/> 522,343		<hr/> 586,899
Current assets					
Debtors	9	419,902		471,224	
Cash at bank and in hand		529,338		425,852	
		<hr/> 949,240		<hr/> 897,076	
Creditors amounts falling due within one year	10	(366,361)		(425,451)	
Net current assets			<hr/> 582,879		<hr/> 471,625
Total assets less current liabilities			<hr/> 1,105,222		<hr/> 1,058,524
Provisions for liabilities and charges	11		(75,419)		(92,152)
Net assets			<hr/> 1,029,803		<hr/> 966,372
Capital and reserves					
Called up share capital	12		162,408		162,408
Profit and loss account	13		867,395		803,964
Shareholder's funds	14		<hr/> 1,029,803		<hr/> 966,372

These financial statements were approved by the board of directors on 18 January 2012 and were signed on its behalf by


MR Hewitt
Director

Company registered number 01742061

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, except as noted below

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules

The Company is a part of the Hillbridge Investments Limited group ('the Group'). The Group has bank and cash balances at the year end totalling £2.3 million (2010 £1.8 million). The Group is financed by both short term and long term loan facilities, the terms of which are detailed in note 15 of the consolidated financial statements. These facilities have been in place for over 10 years and have remained unchanged throughout that period. The directors monitor cash flow against forecasts as a key performance indicator (KPI) and do not envisage that these facilities will be repaid within the next twelve months. They have therefore prepared the accounts on a going concern basis.

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% to 6% on cost
Plant and machinery	- 25% on net book value
Fixtures and fittings	- 25% on net book value
Motor vehicles	- 10% 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.

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 Financial Reporting Standard 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholder's 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 shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Dividends on shares presented within shareholder's 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. Revenue is recognised when the company has fulfilled its performance obligations in relation to waste processing.

3 Operating profit

	2011 £	2010 £
<i>Operating profit is stated after charging</i>		
Depreciation of tangible fixed assets - owned assets	92,151	81,552
Amortisation of intangible fixed assets	3,158	9,649
Hire of other assets - rentals payable under operating leases	16,352	18,269
<i>Auditors' remuneration</i>		
- audit of these financial statements	5,500	5,500

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

	2011 Number	2010 Number
Office and management	3	3
Operations and sales	6	4
	<u>9</u>	<u>7</u>
	£	£
<i>The aggregate payroll costs of these persons were as follows</i>		
Wages and salaries	265,341	252,687
Social security costs	30,799	32,344
	<u>296,140</u>	<u>285,031</u>

5 Remuneration of directors

	2011 £	2010 £
Directors' emoluments	80,217	78,525

Directors' 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 Taxation

Analysis of charge in period

	2011 £	2010 £
<i>UK corporation tax</i>		
Current tax on income for the period	26,664	14,958
Total current tax	26,664	14,958
<i>Deferred tax (see note 11)</i>		
Origination/reversal of timing differences - current year	(9,893)	5,885
- prior year	(805)	-
Effect of law changes	(6,035)	(3,413)
Tax on profit on ordinary activities	<u>9,931</u>	<u>17,430</u>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2010 lower) than the standard rate of corporation tax in the UK of 27% (2010 28%). The differences are explained below

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	73,362	67,417
	<hr/>	<hr/>
Current tax at 27% (2010 28%)	19,806	18,877
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	206	421
Capital allowances for period less than/(in excess of) depreciation	9,774	(6,259)
Depreciation on ineligible assets	3,027	1,919
Effect of small companies tax rate	(6,149)	-
	<hr/>	<hr/>
Total current tax charge	26,664	14,958
	<hr/>	<hr/>

Factors that may affect future tax charges

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 September 2011 has been calculated based on the rate of 25% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction.

7 Intangible assets

	Licences £
<i>Cost</i>	
At 1 October 2010 and 30 September 2011	48,243
	<hr/>
<i>Accumulated amortisation</i>	
At 1 October 2010	35,613
Charge for year	3,158
	<hr/>
At 30 September 2011	38,771
	<hr/>
<i>Net book value</i>	
At 30 September 2011	9,472
	<hr/>
At 30 September 2010	12,630
	<hr/>

Notes (continued)

8 Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 October 2010	222,620	691,530	9,650	183,517	1,107,317
Additions	-	69,449	-	-	69,449
Disposals	-	-	-	(183,517)	(183,517)
At 30 September 2011	222,620	760,979	9,650	-	993,249
<i>Accumulated depreciation</i>					
At 1 October 2010	150,128	231,058	8,727	143,135	533,048
Charge for year	11,425	78,994	46	1,686	92,151
Disposals	-	-	-	(144,821)	(144,821)
At 30 September 2011	161,553	310,052	8,773	-	480,378
<i>Net book value</i>					
At 30 September 2011	61,067	450,927	877	-	512,871
At 30 September 2010	72,492	460,472	923	40,382	574,269

9 Debtors

	2011 £	2010 £
Trade debtors	337,929	360,482
Amounts owed by group companies	72,481	100,989
Prepayments	9,492	9,753
	<u>419,902</u>	<u>471,224</u>

10 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	217,343	330,689
Amounts owed to group companies	-	14,958
Corporation tax	26,664	-
Other taxation and social security	28,576	15,444
Accruals and deferred income	93,778	64,360
	<u>366,361</u>	<u>425,451</u>

Notes (continued)

11 Provisions for liabilities and charges

Deferred tax

	£
At beginning of year	92,152
Credit to the profit and loss account	(16,733)
	<hr/>
At end of year	75,419
	<hr/>
	2011
	£
	2010
	£
<i>The elements of deferred taxation are as follows</i>	
Difference between accumulated depreciation and capital allowances	75,419
	92,152
	<hr/> <hr/>

12 Called up share capital

	2011	2010
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	162,408	162,408
	<hr/> <hr/>	<hr/> <hr/>

13 Profit and loss account

	£
At beginning of year	803,964
Profit for the year	63,431
	<hr/>
At end of year	867,395
	<hr/> <hr/>

14 Reconciliation of movements in shareholder's funds

	2011	2010
	£	£
Profit for the financial year	63,431	49,987
	<hr/>	<hr/>
Net increase in shareholder's funds	63,431	49,987
Opening shareholder s funds	966,372	916,385
	<hr/>	<hr/>
Closing shareholder s funds	1,029,803	966,372
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	-	4,440	-	14,496
In the second to fifth years inclusive	-	7,770	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	12,210	-	14,496
	<hr/>	<hr/>	<hr/>	<hr/>

The company had £nil (2010 £15,900) capital commitments outstanding at the end of the financial year

16 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 (2010 £7,826,838)

17 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 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.

18 Related party disclosures

The company has taken advantage of the exemption contained in FRS 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.