Castle Oils Limited

Directors' report and financial statements

Registered number 01742061

30 September 2009

Contents

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 2009.

Principal activity

The principal activity of the company is waste treatment and disposal.

Business review

The company trades as Castle Environmental.

The difficult economic climate caused a material downturn in business volumes during the year. The Directors took the required action to reduce costs in line with current and forecast business levels and the Company is now well placed to continue trading positively. Commercialisation of the ash washing project was hampered by the downturn in the construction industry, however the project is still expected to deliver strong profits over the medium term.

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

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

The Group has bank and cash balances of almost £1.3 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 14 of the consolidated financial statements. The directors are confident that the current funding structure is appropriate to allow the company to return to profitability and 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 *(2008: £nil)* were paid during the year.

Directors' report *(continued)*

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

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 December 2009

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.

KPMG

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 2009 set out on pages 6 to 15. 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 sections 495 and 496 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 3, 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 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/UKNP.

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 2009 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.

MR Beardsley

MR Beardsley *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated: 18 December 2009

Profit and loss account
for the year ended 30 September 2009

	Note	2009 £	2008 £ *As restated*
Turnover	*2*	**1,977,080**	2,671,325
Cost of sales		**(1,487,092)**	(2,035,203)
Gross profit		**489,988**	636,122
Administrative expenses		**(418,303)**	(486,518)
Operating profit	*3*	**71,685**	149,604
Interest payable and similar charges	*6*	**(942)**	(7,982)
Profit on ordinary activities before taxation		**70,743**	141,622
Taxation on profit on ordinary activities	*7*	**(21,607)**	7,372
Profit for the financial year	*14*	**49,136**	148,994

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 2009

	Note		2009		2008
		£	£	£	£
Fixed assets					
Intangible assets	*8*		**22,279**		31,928
Tangible assets	*9*		**551,940**		592,795
			574,219		624,723
Current assets					
Debtors	*10*	**438,902**		569,207	
Cash at bank and in hand		**192,227**		212,973	
		631,129		782,180	
Creditors: amounts falling due within one year	*11*	**(199,283)**		(439,018)	
Net current assets			**431,846**		343,162
Total assets less current liabilities			**1,006,065**		967,885
Provisions for liabilities and charges	*12*		**(89,680)**		(100,636)
Net assets			**916,385**		867,249
Capital and reserves					
Called up share capital	*13*		**162,408**		162,408
Profit and loss account	*14*		**753,977**		704,841
Shareholder's funds - equity interests	*15*		**916,385**		867,249

These financial statements were approved by the board of directors on 18 December 2009 and were signed on its behalf by:

MR Hewitt
Director

Company 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.

In the year to 30 September 2009, the entity has chosen to present certain costs that were previously presented within administrative expenses, as costs of sales. This is on the grounds that it more fairly reflects the distinction between direct and indirect costs. Accordingly, the comparative figures for the year to 30 September 2008 have been restated: Cost of sales in 2008 has increased by £599,078 and administrative expenses have decreased by the same amount as a result of this change.

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 Group has bank and cash balances at the year end totalling almost £1.3 million. The Group is financed by both short term and long term loan facilities, the terms of which are detailed in note 14 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.

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	- 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.

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.

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

		2009	2008
		£	£
Operating profit is stated after (crediting)/charging:			
Depreciation of tangible fixed assets	- owned assets	**83,015**	77,596
	- leased assets	**7,690**	17,655
Amortisation of intangible fined assets		**9,649**	9,649
Profit on disposal of fixed assets		**-**	(5,419)
Hire of plant and machinery	- rentals payable under operating leases	**24,998**	40,140
Hire of other assets	- rentals payable under operating leases	**10,114**	18,346
Auditors' remuneration:			
- 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:

	2009 Number	2008 Number
Office and management	4	4
Operations and sales	4	5
	8	9

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	265,115	223,934
Social security costs	30,487	25,751
	295,602	249,685

5 Remuneration of directors

	2009 £	2008 £
Directors' emoluments	71,940	71,750

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 Interest payable and similar charges

	2009 £	2008 £
Hire purchase interest	942	7,982

Notes *(continued)*

7 Taxation

Analysis of charge/(credit) in period

	2009	2008
	£	£
UK corporation tax		
Current tax on income for the period	**32,563**	(45,310)
Adjustments in respect of prior years	**-**	(32,197)
Total current tax	**32,563**	(77,507)
Deferred tax (see note 12)		
Origination/reversal of timing differences - current year	**(10,952)**	71,455
- prior year	**(4)**	(1,320)
Tax on profit on ordinary activities	**21,607**	(7,372)

Factors affecting the tax charge/(credit) for the current year

The current tax charge/(credit) for the year is higher *(2008: higher credit)* than the standard rate of corporation tax in the UK of 28% *(2008: 29%)*. The differences are explained below.

	2009	2008
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**70,743**	141,622
Current tax at 28% *(2008: 29%)*	**19,808**	41,070
Effects of:		
Expenses not deductible for tax purposes	**500**	421
Capital allowances for period in excess of depreciation	**10,328**	(74,913)
Additional tax credit for research and development	**-**	(13,350)
Depreciation on ineligible assets	**1,927**	1,462
Adjustments in respect of prior years	**-**	(32,197)
Total current tax charge/(credit) (see above)	**32,563**	(77,507)

Notes *(continued)*

8 Intangible assets

	Licences £
Cost:	
At 1 October 2008 and 30 September 2009	48,243
Accumulated amortisation:	
At 1 October 2008	16,315
Charge for year	9,649
At 30 September 2009	25,964
Net book value:	
At 30 September 2009	**22,279**
At 30 September 2008	31,928

9 Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost:					
At 1 October 2008	222,620	561,270	45,337	179,094	1,008,321
Additions	-	45,427	-	4,423	49,850
At 30 September 2009	222,620	606,697	45,337	183,517	1,058,171
Accumulated depreciation:					
At 1 October 2008	126,872	118,048	41,532	129,074	415,526
Charge for year	11,706	67,830	1,264	9,905	90,705
At 30 September 2009	138,578	185,878	42,796	138,979	506,231
Net book value:					
At 30 September 2009	**84,042**	**420,819**	**2,541**	**44,538**	**551,940**
At 30 September 2008	95,748	442,900	3,805	50,342	592,795

The net book value of plant and machinery and motor vehicles includes £23,071 *(2008: £30,762)* in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year totalled £7,690 *(2008: £17,655)*.

Notes *(continued)*

10 Debtors

	2009	2008
	£	£
Trade debtors	**263,516**	412,059
Amounts owed by group companies	**138,997**	68,614
Prepayments	**36,389**	56,337
Corporation taxation	**-**	32,197
	438,902	569,207

11 Creditors: amounts falling due within one year

	2009	2008
	£	£
Obligations under finance leases and hire purchase contracts	**-**	7,612
Trade creditors	**165,928**	261,053
Amounts owed to group companies	**-**	128,928
Other taxation and social security	**18,810**	31,520
Accruals and deferred income	**14,545**	9,905
	199,283	439,018

12 Provisions for liabilities and charges

Deferred tax

	£
At beginning of year	100,636
Charge to the profit and loss account	(10,956)
At end of year	**89,680**

	2009	2008
	£	£
The elements of deferred taxation are as follows:		
Difference between accumulated depreciation and capital allowances	**89,680**	100,636

13 Called up share capital

	2009	2008
	£	£
Authorised		
Ordinary shares of £1 each	**171,908**	171,908
Allotted, called up and fully paid		
Ordinary shares of £1 each	**162,408**	162,408

Notes *(continued)*

14 Profit and loss account

	£
At beginning of year	704,841
Profit for the year	49,136
At end of year	**753,977**

15 Reconciliation of movements in shareholder's funds

	2009 **£**	2008 £
Profit for the financial year	**49,136**	148,994
Net increase in shareholder's funds	**49,136**	148,994
Opening shareholder's funds	**867,249**	718,255
Closing shareholder's funds	**916,385**	867,249

16 Commitments

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

	2009		2008	
	Land and buildings **£**	**Other** **£**	Land and Buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	**3,684**	-	-
	-	**3,684**	-	-

The company had £nil *(2008: £18,708)* capital commitments outstanding at the end of the 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 *(2008: £7,826,838)*.

Notes *(continued)*

18 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.

19 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.