

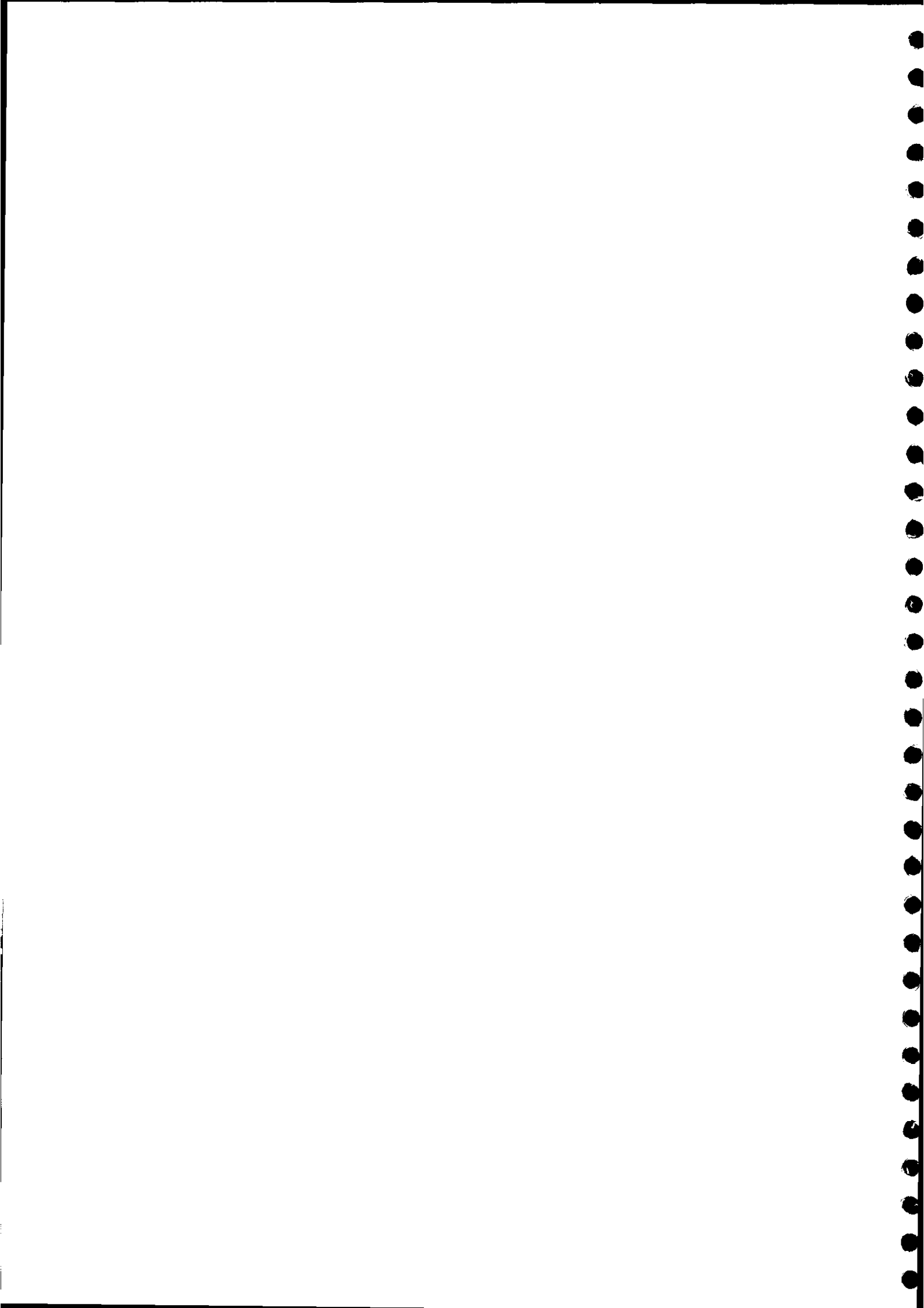
Castle Oils Limited

**Directors' report and financial
statements**

Registered number 01742061

Year ended 30 September 2001



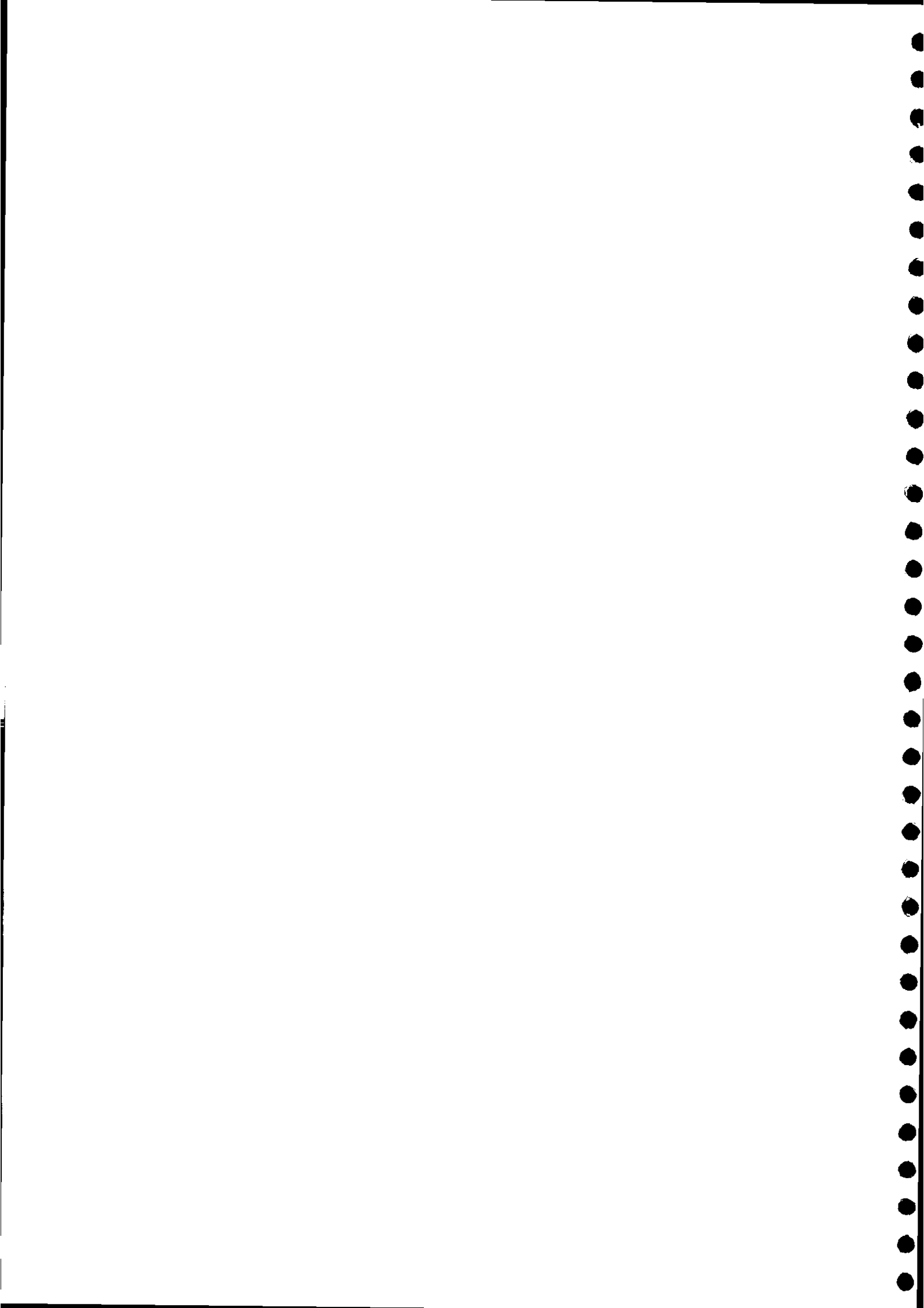


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Company information

Directors	MR Hewitt PK Meister HW Hughes AM Elliot
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 Altius House One North Fourth Street Milton Keynes Buckinghamshire MK9 1NE



Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2001.

Principal activity

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

Business review

The company trades as Castle Environmental.

The company maintained its position during the year, with pre-tax profits increasing by 6%. Its traditional markets in the potteries industry have seen a downturn, but this was anticipated by management, who have concentrated on shifting the company's operations and processes towards the treatment of new waste streams. The forthcoming year is expected to continue to be difficult, although the benefits of current developments will begin to come through.

The directors continue to consider that the company remains well positioned to take advantage of changes in legislation and regulation that will come into effect in mid-2002.

Dividends and transfers to reserves

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

The directors do not propose the payment of a dividend (2000: £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 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 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 the year	
	'A' ordinary shares of £0.01 each Number	'B' ordinary shares of £0.01 each Number
MR Hewitt	-	291,675
PK Meister	-	-
HW Hughes (appointed 14 March 2001)	-	-
AM Elliott (appointed 14 March 2001)	-	-

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)*

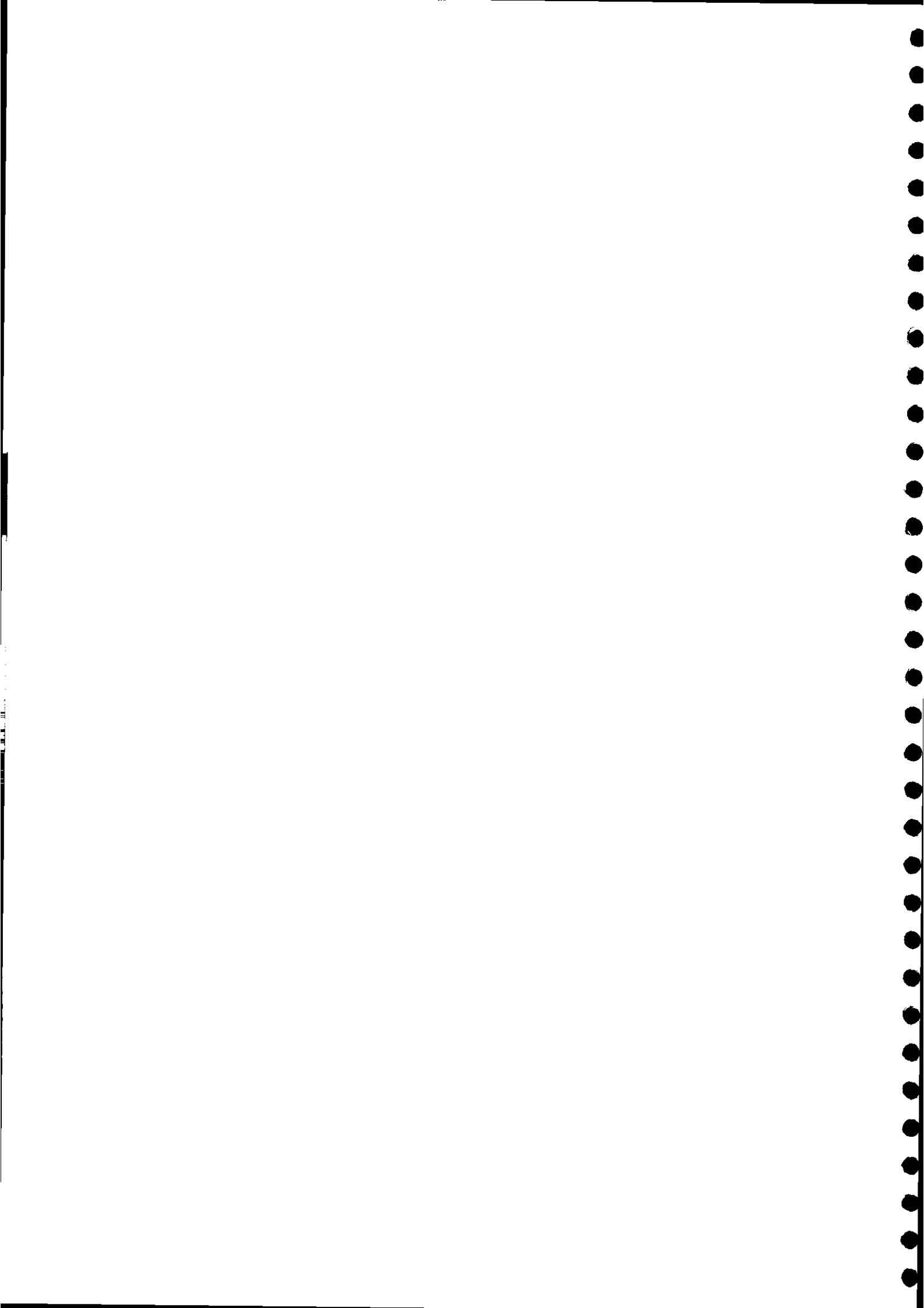
Auditors

KPMG were re-appointed auditors on 5 February 2001. However, since that date their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 16 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the board



PK Meister
Secretary



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.



Altius House
1 North Fourth Street
Central Milton Keynes
Buckinghamshire MK9 1NE
United Kingdom

Independent auditors' report to the members of Castle Oils Limited

We have audited the financial statements on pages 6 to 15.

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 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

17 December 2002

Profit and loss account
for the year ended 30 September 2001

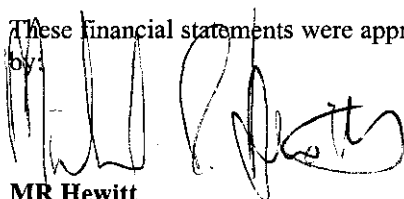
	<i>Note</i>	2001 £	2000 £
Turnover - continuing operations	2	2,602,293	2,573,382
Cost of sales		(1,125,864)	(1,180,423)
Gross profit		1,476,429	1,392,959
Administrative expenses		(1,100,321)	(1,045,170)
Operating profit – continuing operations	3	376,108	347,789
Interest receivable and similar income	6	-	272
Interest payable and similar charges	7	(6,469)	(752)
Profit on ordinary activities before taxation		369,639	347,309
Taxation on profit on ordinary activities	8	-	11,912
Retained profit for the financial year	16	369,639	359,221

There are no recognised gains or losses in either year other than the profit for the year disclosed above.

Balance sheet
at 30 September 2001

	<i>Note</i>	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	9	402,582		399,783	
Current assets					
Stocks	10	10,343		13,587	
Debtors	11	2,354,861		2,021,486	
Cash at bank and in hand		38,551		27,844	
		<u>2,403,755</u>		<u>2,062,917</u>	
Creditors: amounts falling due within one year	12	<u>(458,205)</u>		<u>(492,907)</u>	
Net current assets		1,945,550		1,570,010	
Total assets less current liabilities		2,348,132		1,969,793	
Creditors: amounts falling due after more than one year	13	(75,200)		(66,500)	
Provisions for liabilities and charges	14	-		-	
Net assets		2,272,932		1,903,293	
Capital and reserves					
Called up share capital	15	162,408		162,408	
Profit and loss account	16	2,110,524		1,740,885	
Shareholders' funds - equity interests	17	2,272,932		1,903,293	

These financial statements were approved by the board of directors on **2-12-02** 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 accounting

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 accounts, 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 accounts 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 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.

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.

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.

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

	2001 £	2000 £
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration	2,000	1,500
Depreciation of tangible fixed assets		
- owned assets	51,738	54,530
- leased assets	36,709	3,566
Hire of plant and machinery – rentals payable under operating leases	247,313	251,192
Hire of other assets – rentals payable under operating leases	28,000	28,000
Exceptional costs	-	48,182
	<hr/>	<hr/>

Exceptional costs in 2000 relate to amounts incurred for changing the company logo.

4 Directors and employees

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

	2001 Number	2000 Number
Office and management	5	5
Operations and sales	13	14
	<hr/>	<hr/>
	18	19
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	439,382	417,609
Social security costs	42,075	41,467
	<hr/>	<hr/>
	481,457	459,076
	<hr/>	<hr/>

Notes (continued)

5 Directors emoluments

	2001 £	2000 £
As directors	<u>32,028</u>	<u>-</u>

6 Interest receivable and similar income

	2001 £	2000 £
Interest on corporation tax	<u>-</u>	<u>272</u>

7 Interest payable and similar charges

	2001 £	2000 £
Hire purchase interest	<u>6,469</u>	<u>752</u>

8 Taxation

	2001 £	2000 £
Adjustment in respect of prior year	-	272
Deferred taxation charge		
- current year	-	(12,184)
	<u>-</u>	<u>(11,912)</u>

The corporation tax liability for the year has been reduced by £370,267 (2000: £84,000) as a result of group relief for the losses of other group companies.

Notes (continued)

9 Tangible fixed assets

	Freehold buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 October 2000	197,830	268,552	76,102	265,327	807,811
Additions	-	6,600	2,046	82,600	91,246
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2001	197,830	275,152	78,148	347,927	899,057
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 October 2000	42,687	169,821	47,522	147,998	408,028
Charge for year	9,903	24,875	7,730	45,939	88,447
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2000	52,590	194,696	55,252	193,937	496,475
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 2001	145,240	80,456	22,896	153,990	402,582
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2000	155,143	98,731	28,580	117,329	399,783
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of fixtures and fittings, plant and machinery and motor vehicles includes £Nil (2000: £358) £3,461 (2000: £4,614) and £122,592 (2000: £89,790) respectively in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year totalled £358 (2000: £118), £1,154 (2000: £1,538) and £35,197 (2000: £1,910) respectively.

10 Stocks

	2001 £	2000 £
Finished goods and goods for resale	10,343	13,587
	<hr/>	<hr/>

11 Debtors

	2001 £	2000 £
Trade debtors	512,908	515,796
Amounts owed by group companies	1,803,000	1,466,000
Prepayments	38,953	39,690
	<hr/>	<hr/>
	2,354,861	2,021,486
	<hr/>	<hr/>

Notes (continued)

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Obligations under finance leases and hire purchase contracts (note 13)	38,900	18,500
Trade creditors	178,220	255,170
Amounts owed to group companies	128,824	126,132
Other taxation and social security	55,304	35,552
Accruals and deferred income	56,957	57,553
	<u>458,205</u>	<u>492,907</u>

13 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Obligations under finance leases and hire purchase contracts	75,200	66,500
Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:		
- in less than one year	38,900	18,500
- in one to two years	36,400	18,500
- in two to five years	38,800	48,000
	<u>114,100</u>	<u>85,000</u>

Notes (continued)

14 Provisions for liabilities and charges

	Deferred tax £
At beginning of year	-
Credit to the profit and loss account	-
At end of year	-

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001 Provided £	2001 Unprovided £	2000 Provided £	2000 Unprovided £
Difference between accumulated depreciation and capital allowances	-	10,193	-	(3,497)

15 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Ordinary shares of £1 each	171,908	171,908
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	162,408	162,408

16 Profit and loss account

	£
At 1 October 2000	1,740,885
Retained profit for the year	369,639
At 30 September 2001	2,110,524

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	369,639	359,221
Opening shareholders' funds	1,903,293	1,544,072
	<hr/>	<hr/>
Closing shareholders' funds	2,272,932	1,903,293
	<hr/>	<hr/>

18 Commitments

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

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	285,921	-	529
In the second to fifth years inclusive	28,000	83,514	28,000	253,048
	<hr/>	<hr/>	<hr/>	<hr/>
	28,000	369,435	28,000	253,577
	<hr/>	<hr/>	<hr/>	<hr/>

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

19 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 (2000: £7,826,838).

20 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 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 Bridgepoint Capital Limited.

Notes *(continued)*

21 Related party disclosures

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

