

Churngold Waste Management Limited

Report and Accounts

31 May 1999

Registered Number 2630920



DIRECTORS

J R Ancell
A J G Chater
J R Henderson
G C Ballantyne

SECRETARY

P J Mitchell

AUDITORS

Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

BANKERS

Lloyds Bank plc
61 Gloucester Road
Bristol
BS34 5JH

REGISTERED OFFICE

Northway
Gloucester Road North
Filton
Bristol
BS34 7QG

Churngold Waste Management Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 May 1999.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £158,000 (1998 - £65,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of Churngold Waste Management Limited continued to be waste collection, materials recycling and the operation of landfill sites for inert waste.

The year saw considerable development of the company and the directors consider the results satisfactory.

On 31 May 1999 the authorised share capital of the company was increased by the creation of 1,946,430 ordinary shares of £1 each. On this date 2,045,000 ordinary shares of £1 each were issued in consideration for the acquisition of the Filton property from Churngold Holdings Limited.

FUTURE DEVELOPMENTS

The company's waste activities are seen as offering considerable potential for development with the key areas seen as materials recycling and the collection of industrial and commercial waste.

DIRECTORS AND THEIR INTERESTS

The directors at 31 May 1999 are shown on page 2. None of the directors held an interest in the share capital of the company as at 31 May 1999.

The interests of the directors in the ultimate parent undertaking, Churngold Holdings Limited, are shown in that company's accounts.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers (including computer bureaux) and customers. In appropriate cases we have initiated formal communication with these other parties.

DIRECTORS' REPORT

YEAR 2000 (continued)

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

The cost of implementing the action plans will be subsumed into the recurring activities of the departments involved.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

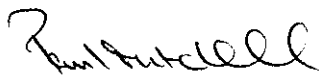
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Ernst & Young as auditors of the company will be put to the members at the Annual General Meeting.

By order of the board



Secretary

Date 3 September 1999

REPORT OF THE AUDITORS
to the members of Churngold Waste Management Limited

We have audited the accounts on pages 6 to 14, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

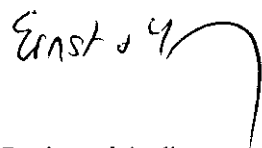
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 May 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Y', with a large, sweeping flourish extending from the end of the signature.

Registered Auditor
Bristol

Date 7/9/99

Churngold Waste Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1999

	Notes	1999 £000	1998 £000
TURNOVER	2	5,351	3,690
Cost of sales		(4,105)	(2,772)
GROSS PROFIT		1,246	918
Administrative expenses		(1,039)	(733)
OPERATING PROFIT	3	207	185
Interest receivable		-	2
Interest payable	5	(84)	(47)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		123	140
Tax on profit on ordinary activities	6	35	(75)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT RETAINED FOR THE FINANCIAL YEAR	16	158	65
NOTE OF HISTORICAL COST PROFITS AND LOSSES			
Reported profit on ordinary activities before taxation		123	140
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		7	5
Historical cost profit on ordinary activities before taxation		130	145
Historical cost profit for the year retained after taxation and dividends		165	70

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 May 1999

There were no other recognised gains and losses attributable to the shareholders of the company other than that stated above.

Churngold Waste Management Limited

BALANCE SHEET

at 31 May 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	7	4,930	1,745
Investments	8	22	72
		<u>4,952</u>	<u>1,817</u>
CURRENT ASSETS			
Debtors	9	1,490	1,331
CREDITORS: amounts falling due within one year	10	(2,897)	(2,010)
NET CURRENT LIABILITIES		<u>(1,407)</u>	<u>(679)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,545</u>	<u>1,138</u>
CREDITORS: amounts falling due after more than one year	11	(848)	(563)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(90)	(171)
		<u>2,607</u>	<u>404</u>
CAPITAL AND RESERVES			
Called up share capital	15	2,047	2
Revaluation reserve	16	13	20
Profit and loss account	16	547	382
EQUITY SHAREHOLDERS' FUNDS		<u>2,607</u>	<u>404</u>

 - Director

Date 3 September 1999

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards

Consolidation

The company has taken advantage of the exemption granted under Section 248 of the Companies Act 1985 not to prepare group accounts as it is a wholly owned subsidiary undertaking. Accordingly, these financial statements present information about the results of the company as an individual undertaking and not its group.

Goodwill

Goodwill arising on acquisition prior to 31 May 1998 has been written off directly to reserves.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Plant and machinery	over 3 to 7 years
Motor vehicles	over 4 to 7 years
Freehold buildings	over 10 years
Leasehold improvements	over period of lease

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Landfill sites

All external charges incurred in connection with the acquisition of landfill sites are capitalised in the balance sheet and are amortised in line with the filling of the void space at each site.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

1. ACCOUNTING POLICIES (continued)

Pensions

The company contributes to the personal pensions of certain employees. Contributions are charged in the profit and loss account as incurred. The cost of these contributions in the year is disclosed in note 4.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1999 £000	1998 £000
Directors' emoluments	-	-
Auditors' remuneration	4	4
Depreciation of owned fixed assets	354	157
Depreciation of assets acquired under finance leases and hire purchase contracts	135	112
Provision for permanent diminution in value of fixed assets	-	32
Loss/(profit) on sale of tangible fixed assets	11	(4)
Operating lease rentals:		
- land and buildings	36	-
Reorganisation costs	-	67
Waiver of amount due from subsidiary undertaking	-	98

4. STAFF COSTS

	1999 £000	1998 £000
Wages and salaries	1,211	812
Social security costs	115	71
Other pension costs	6	1
	<u>1,332</u>	<u>884</u>

The average monthly number of employees during the year was as follows:

	1999 No.	1998 No.
Waste services	<u>74</u>	<u>52</u>

5. INTEREST PAYABLE

	1999 £000	1998 £000
Bank loan, overdrafts and other loans	42	18
Finance charges under hire purchase contracts	42	29
	<u>84</u>	<u>47</u>

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
Based on the profit for the year:		
UK corporation tax	3	(75)
Deferred taxation	27	-
	<u>30</u>	<u>(75)</u>
Adjustment in respect of prior years:		
Corporation tax	5	-
	<u>35</u>	<u>(75)</u>

7. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £000	<i>Leasehold improvements</i> £000	<i>Motor vehicles</i> £000	<i>Plant and machinery</i> £000	<i>Total</i> £000
Cost or valuation:					
At 1 June 1998	347	85	606	1,102	2,140
Reclassification	70	(70)	-	-	-
Additions	2,193	116	373	1,123	3,805
Disposals	-	-	(108)	(60)	(168)
At 31 May 1999	<u>2,610</u>	<u>131</u>	<u>871</u>	<u>2,165</u>	<u>5,777</u>
Depreciation:					
At 1 June 1998	3	3	127	262	395
Reclassification	3	(3)	-	-	-
Provided during the year	15	3	146	325	489
Disposals	-	-	(37)	-	(37)
At 31 May 1999	<u>21</u>	<u>3</u>	<u>236</u>	<u>587</u>	<u>847</u>
Net book value:					
At 31 May 1999	<u>2,589</u>	<u>128</u>	<u>635</u>	<u>1,578</u>	<u>4,930</u>
At 1 June 1998	<u>344</u>	<u>82</u>	<u>479</u>	<u>840</u>	<u>1,745</u>

The net book value of fixed assets includes £839,000 (1998 - £589,000) in respect of assets held under hire purchase contracts.

Included within leasehold improvements is an amount of £77,000 (1998 - £Nil) representing the costs incurred to date on the development of a landfill site.

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

7. TANGIBLE FIXED ASSETS (continued)

On the historical cost basis, fixed assets would have been included as follows:

	<i>Freehold land and buildings £000</i>	<i>Leasehold improvements £000</i>	<i>Motor vehicles £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost:					
At 1 June 1998	417	15	730	1,349	2,511
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 1999	2,610	131	909	2,406	6,056
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cumulative depreciation based on cost:					
At 1 June 1998	6	-	263	517	786
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 1999	21	3	283	832	1,139
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8. INVESTMENTS

	<i>1999 £000</i>	<i>1998 £000</i>
Investment in subsidiary undertaking		
At cost	22	72
	<u> </u>	<u> </u>

Details of the investments in the subsidiary undertaking are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
City Reclamation Services Limited	Ordinary shares	100%	Dormant

City Reclamation Services Limited has not traded in the current financial year and has no assets or liabilities.

The movement in the carrying value of the investment arises as a result of a potential future payment not being required.

9. DEBTORS

	<i>1999 £000</i>	<i>1998 £000</i>
Trade debtors	1,011	883
Amounts owed by group undertakings	360	282
Other debtors	3	4
Called up share capital not paid	-	2
Prepayments and accrued income	116	160
	<u> </u>	<u> </u>
	1,490	1,331
	<u> </u>	<u> </u>

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

10. CREDITORS: amounts falling due within one year

	1999 £000	1998 £000
Bank overdraft	-	49
Obligations under finance leases and hire purchase contracts (note 12)	264	206
Trade creditors	660	474
Current instalments due on loans (note 13)	49	49
Amounts owed to group undertakings	1,684	754
Corporation tax	7	84
Other taxes and social security costs	70	75
Accruals and deferred income	146	203
Other creditors	17	116
	<u>2,897</u>	<u>2,010</u>

11. CREDITORS: amounts falling due after more than one year

	1999 £000	1998 £000
Loans (note 13)	402	431
Obligations under finance leases and hire purchase contracts (note 12)	446	132
	<u>848</u>	<u>563</u>

12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1999 £000	1998 £000
Amounts falling due within one year	306	226
Amounts falling due within two to five years	483	140
	<u>789</u>	<u>366</u>
Less: finance costs allocated to future periods	(79)	(28)
	<u>710</u>	<u>338</u>
Analysed as:		
Falling due within one year (note 10)	264	206
Falling due after more than one year (note 11)	446	132
	<u>710</u>	<u>338</u>

13. LOANS

	1999 £000	1998 £000
Not wholly repayable within five years:		
£500,000 bank loan at base rate plus 2% per annum until 31 October 2007 repayable in quarterly instalments over ten years commencing 31 January 1998	455	485
Less unamortised issue costs	(4)	(5)
	<u>451</u>	<u>480</u>
Less amounts due within one year (note 10)	(49)	(49)
	<u>402</u>	<u>431</u>
Amounts due after more than one year (note 11)		
	<u>402</u>	<u>431</u>

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

13. LOANS (continued)

The bank loan is secured by a first legal charge over the company's property at Henstridge, Somerset.

	1999 £000	1998 £000
Amounts repayable:		
In one year or less	49	49
Between one and two years	49	49
Between two and five years	149	149
In five years or more	204	233
	<u>451</u>	<u>480</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Restoration provisions £000	Deferred tax £000	Total £000
At 1 June 1998	133	38	171
Movement in the year	(54)	(27)	(81)
At 31 May 1999	<u>79</u>	<u>11</u>	<u>90</u>

Deferred taxation provided in the accounts and the amounts not provided are:

	Provided		Not provided	
	1999 £000	1998 £000	1999 £000	1998 £000
Capital allowances in advance of depreciation	44	53	68	-
Other timing differences	(4)	5	-	-
Trading losses carried forward	(29)	(20)	-	-
	<u>11</u>	<u>38</u>	<u>68</u>	<u>-</u>

15. SHARE CAPITAL

	1999 No	1998 No	1999 £000	1998 £000
Authorised:				
Ordinary shares of £1 each	2,046,563	100,133	2,047	100
Allotted, called up and fully paid:				
Ordinary shares of £1 each	2,046,563	1,563	2,047	2

On 31 May 1999 the authorised share capital was increased by the creation of 1,946,430 ordinary shares of £1 each. On this date 2,045,000 ordinary shares of £1 each were issued in consideration for the acquisition of the Filton property from Churngold Holdings Limited.

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total 1999</i>	<i>Total 1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 June	2	20	382	404	435
Retained profit for the year	-	-	158	158	65
Issue of shares	2,045	-	-	2,045	-
Write off goodwill arising on acquisition of unincorporated businesses	-	-	-	-	(96)
Transfer of revaluation element of depreciation charge	-	(7)	7	-	-
At 31 May	<u>2,047</u>	<u>13</u>	<u>547</u>	<u>2,607</u>	<u>404</u>

17. CONTINGENT LIABILITIES

The bank holds a letter of cross guarantee between the company and its ultimate parent undertaking.

There are contingent liabilities in respect of performance guarantees relating to the contracting business, entered into in the normal course of business, by a fellow subsidiary undertaking.

18. FINANCIAL COMMITMENTS

At 31 May 1999 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>
	<i>1999 1998</i>
	<i>£000 £000</i>
Operating leases which expire:	
After five years	<u>37 37</u>

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Churngold Holdings Limited group of companies.

20. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Churngold Holdings Limited. It has included the company in its group accounts, copies of which are available from its registered office.