

Churngold Waste Management Limited

Report and Accounts

31 May 2000

Registered Number 2630920



DIRECTORS

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

SECRETARY

P J Mitchell

AUDITORS

Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

BANKERS

Lloyds TSB 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 2000.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £21,000 (1999 - profit £158,000). 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.

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 2000 are shown on page 2. J D Barcham was appointed as a director on 1 February 2000. None of the directors held an interest in the share capital of the company.

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

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:

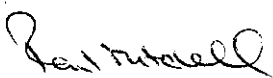
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 member at the Annual General Meeting.

By order of the board



Secretary

Date 8 September 2000

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

We have audited the accounts on pages 5 to 14, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

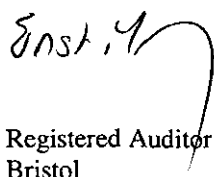
Basis of opinion

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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Bristol

Date 27/9/00

Churngold Waste Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2000

| | Notes | 2000 £000 | 1999 £000 |
|--|-------|--------------|--------------|
| TURNOVER | 2 | 5,523 | 5,351 |
| Continuing | | 5,030 | 4,642 |
| Discontinued operations | | 493 | 709 |
| Cost of sales | | (4,387) | (4,105) |
| GROSS PROFIT | | 1,136 | 1,246 |
| Administrative expenses | 3 | (988) | (1,039) |
| OPERATING PROFIT | 4 | 148 | 207 |
| Continuing | | 322 | 265 |
| Discontinued operations | | (174) | (58) |
| Interest payable and similar charges | 6 | (92) | (84) |
| Amounts written off investments | 9 | (22) | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 34 | 123 |
| Tax on profit on ordinary activities | 7 | (55) | 35 |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR | 17 | (21) | 158 |
| NOTE OF HISTORICAL COST PROFITS AND LOSSES | | | |
| Reported profit on ordinary activities before taxation | | 34 | 123 |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | | 5 | 7 |
| Historical cost profit on ordinary activities before taxation | | 39 | 130 |
| Historical cost (loss)/profit for the year retained after taxation | | (16) | 165 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 May 2000


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

Churngold Waste Management Limited

BALANCE SHEET

at 31 May 2000

| | Notes | 2000 £000 | 1999 £000 |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 5,135 | 4,930 |
| Investments | 9 | - | 22 |
| | | <u>5,135</u> | <u>4,952</u> |
| CURRENT ASSETS | | | |
| Debtors | 10 | 1,736 | 1,490 |
| CREDITORS: amounts falling due within one year | 11 | 3,271 | 2,897 |
| NET CURRENT LIABILITIES | | <u>(1,535)</u> | <u>(1,407)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,600</u> | <u>3,545</u> |
| CREDITORS: amounts falling due after more than one year | 12 | 876 | 848 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 15 | 138 | 90 |
| | | <u>2,586</u> | <u>2,607</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 2,047 | 2,047 |
| Revaluation reserve | 17 | 8 | 13 |
| Profit and loss account | 17 | 531 | 547 |
| EQUITY SHAREHOLDER'S FUNDS | | <u>2,586</u> | <u>2,607</u> |


 - Director
 Date 8 September 2000

NOTES TO THE ACCOUNTS

at 31 May 2000

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 acquisitions 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, except freehold land, 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 8 years |
| Motor vehicles | over 4 to 7 years |
| Freehold buildings | over 20 years |
| Leasehold improvements | over 40 years or period of lease if shorter than 40 years |

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 2000

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 5.

2. TURNOVER

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

3. COST OF SALES AND OPERATING EXPENSES

| | | | 2000 | | | 1999 |
|-------------------------|-------------------|---------------------|--------------|-------------------|---------------------|--------------|
| | <i>Continuing</i> | <i>Discontinued</i> | <i>Total</i> | <i>Continuing</i> | <i>Discontinued</i> | <i>Total</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Cost of sales | 3,878 | 509 | 4,387 | 3,505 | 600 | 4,105 |
| Administrative expenses | 830 | 158 | 988 | 872 | 167 | 1,039 |
| | | | | | | |

4. OPERATING PROFIT

This is stated after charging:

| | 2000 | 1999 |
|---|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Directors' emoluments | - | - |
| Auditors' remuneration | 5 | 4 |
| Depreciation of owned fixed assets | 414 | 354 |
| Depreciation of assets acquired under finance leases and hire purchase contracts | 239 | 135 |
| (Profit)/loss on sale of tangible fixed assets | (15) | 11 |
| Operating lease rentals: - land and buildings | 31 | 36 |
| | | |

5. STAFF COSTS

| | 2000 | 1999 |
|-----------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Wages and salaries | 1,193 | 1,217 |
| Social security costs | 105 | 115 |
| Other pension costs | 9 | - |
| | 1,307 | 1,332 |
| | | |

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

| | 2000 | 1999 |
|----------------|------------|------------|
| | <i>No.</i> | <i>No.</i> |
| Waste services | 75 | 74 |
| | | |

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2000 £000 | 1999 £000 |
|--|--------------|--------------|
| Bank loans and overdrafts | 47 | 42 |
| Finance charges payable under finance leases and hire purchase contracts | 45 | 42 |
| | <u>92</u> | <u>84</u> |

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2000 £000 | 1999 £000 |
|---------------------------------------|--------------|--------------|
| Based on the profit for the year: | | |
| UK corporation tax | - | 3 |
| Group relief receivable | 6 | - |
| Deferred taxation | (78) | 27 |
| | <u>(72)</u> | <u>30</u> |
| Adjustment in respect of prior years: | | |
| Corporation tax | 17 | 5 |
| | <u>(55)</u> | <u>35</u> |

8. 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 1999 | 2,610 | 131 | 871 | 2,165 | 5,777 |
| Additions | 114 | 63 | 603 | 385 | 1,165 |
| Reclassification | 1 | (1) | 182 | (182) | - |
| Disposals | - | (59) | (148) | (360) | (567) |
| At 31 May 2000 | <u>2,725</u> | <u>134</u> | <u>1,508</u> | <u>2,008</u> | <u>6,375</u> |
| Depreciation: | | | | | |
| At 1 June 1999 | 21 | 3 | 236 | 587 | 847 |
| Provided during the year | 25 | 5 | 261 | 362 | 653 |
| Reclassification | - | - | 56 | (56) | - |
| Disposals | - | (8) | (87) | (165) | (260) |
| At 31 May 2000 | <u>46</u> | <u>-</u> | <u>466</u> | <u>728</u> | <u>1,240</u> |
| Net book value: | | | | | |
| At 31 May 2000 | <u>2,679</u> | <u>134</u> | <u>1,042</u> | <u>1,280</u> | <u>5,135</u> |
| At 1 June 1999 | <u>2,589</u> | <u>128</u> | <u>635</u> | <u>1,578</u> | <u>4,930</u> |

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

8. TANGIBLE FIXED ASSETS (continued)

The net book value of fixed assets includes £1,196,213 (1999 - £839,000) in respect of assets held under hire purchase contracts.

Included within leasehold improvements is an amount of £133,202 (1999 - £77,000) representing the costs incurred to date on the development of a landfill site. No depreciation has been charged to date on these assets. This will commence when the site becomes operational.

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 1999 | 2,610 | 131 | 909 | 2,406 | 6,056 |
| At 31 May 2000 | 2,725 | 134 | 1,522 | 2,218 | 6,599 |
| Cumulative depreciation based on cost: | | | | | |
| At 1 June 1999 | 21 | 3 | 283 | 832 | 1,139 |
| At 31 May 2000 | 46 | - | 485 | 941 | 1,472 |

9. INVESTMENTS

Investment in subsidiary undertaking

| | <i>2000 £000</i> | <i>1999 £000</i> |
|------------------------|----------------------|----------------------|
| Cost: | | |
| At 1 June | 22 | 22 |
| Write down in the year | (22) | - |
| At 31 May | - | 22 |

Details of the investment in subsidiary undertaking are as follows:

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

City Reclamation Services Limited has been dormant since its trade and assets were transferred to Churngold Waste Management Limited, during the year ended 31 May 1999. This trade was sold in March 2000 and therefore the investment has been written down.

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

10. DEBTORS

| | 2000 | 1999 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Trade debtors | 1,087 | 1,011 |
| Amounts owed by group undertakings | 504 | 360 |
| Corporation tax | 9 | - |
| Other debtors | 23 | 3 |
| Prepayments and accrued income | 113 | 116 |
| | <u>1,736</u> | <u>1,490</u> |

11. CREDITORS: amounts falling due within one year

| | 2000 | 1999 |
|--|--------------|--------------|
| | £000 | £000 |
| Bank overdraft | 92 | - |
| Current instalments due on loans (note 13) | 49 | 49 |
| Obligations under finance leases and hire purchase contracts (note 14) | 334 | 264 |
| Trade creditors | 304 | 660 |
| Amounts owed to group undertakings | 2,261 | 1,684 |
| Corporation tax | - | 7 |
| Other taxes and social security costs | 40 | 70 |
| Other creditors | 1 | 17 |
| Accruals and deferred income | 190 | 146 |
| | <u>3,271</u> | <u>2,897</u> |

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

| | 2000 | 1999 |
|--|------------|------------|
| | £000 | £000 |
| Loans (note 13) | 372 | 402 |
| Obligations under finance leases and hire purchase contracts (note 14) | 504 | 446 |
| | <u>876</u> | <u>848</u> |

13. LOANS

| | 2000 | 1999 |
|--|------------|------------|
| | £000 | £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 | 425 | 455 |
| Less unamortised issue costs | (4) | (4) |
| | <u>421</u> | <u>451</u> |
| Less included in creditors: amounts falling due within one year (note 11) | (49) | (49) |
| Amounts due after more than one year (note 12) | <u>372</u> | <u>402</u> |

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

13. LOANS (continued)

| | 2000 £000 | 1999 £000 |
|----------------------------------|--------------|--------------|
| Amounts repayable: | | |
| In one year or less or on demand | 49 | 49 |
| Between one and two years | 49 | 49 |
| Between two and five years | 149 | 149 |
| In five years or more | 174 | 204 |
| | <u>421</u> | <u>451</u> |

The bank loan is secured by a legal charge over the company's freehold properties at Henstridge, Somerset and Filton, Bristol.

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

| | 2000 £000 | 1999 £000 |
|---|--------------|--------------|
| Amounts payable: | | |
| Within one year | 382 | 306 |
| In two to five years | 548 | 483 |
| | <u>930</u> | <u>789</u> |
| Less: finance costs allocated to future periods | (92) | (79) |
| | <u>838</u> | <u>710</u> |
| Finance leases and hire purchase contracts are analysed as follows: | | |
| Current obligations (note 11) | 334 | 264 |
| Non-current obligations (note 12) | 504 | 446 |
| | <u>838</u> | <u>710</u> |

15. PROVISIONS FOR LIABILITIES AND CHARGES

| | Restoration provisions £000 | Deferred taxation £000 | Total £000 |
|----------------------|-----------------------------------|------------------------------|---------------|
| At 1 June | 79 | 11 | 90 |
| Movement in the year | (30) | 78 | 48 |
| At 31 May | <u>49</u> | <u>89</u> | <u>138</u> |

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

15. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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

| | <i>Provided</i> | | <i>Not provided</i> | |
|---|-----------------|-------------|---------------------|-------------|
| | <i>2000</i> | <i>1999</i> | <i>2000</i> | <i>1999</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Capital allowances in advance of depreciation | 67 | 44 | 68 | 68 |
| Other timing differences | 22 | (4) | - | - |
| Trading losses carried forward | - | (29) | - | - |
| | <u>89</u> | <u>11</u> | <u>68</u> | <u>68</u> |

16. CALLED UP SHARE CAPITAL

| | <i>2000</i> | <i>1999</i> | <i>2000</i> | <i>1999</i> |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | <i>No</i> | <i>No</i> | <i>£000</i> | <i>£000</i> |
| Authorised: | | | | |
| Ordinary shares of £1 each | 2,046,563 | 2,046,563 | 2,047 | 2,047 |
| Allotted, called up and fully paid: | | | | |
| Ordinary shares of £1 each | 2,046,563 | 2,046,563 | 2,047 | 2,047 |

17. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

| | <i>Share capital</i> | <i>Revaluation reserve</i> | <i>Profit and loss account</i> | <i>Total 2000</i> | <i>Total 1999</i> |
|--|----------------------|----------------------------|--------------------------------|-------------------|-------------------|
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| At 1 June | 2,047 | 13 | 547 | 2,607 | 404 |
| Retained profit for the year | - | - | (21) | (21) | 158 |
| Issue of shares | - | - | - | - | 2,045 |
| Transfer of revaluation element of depreciation charge | - | (5) | 5 | - | - |
| At 31 May | <u>2,047</u> | <u>8</u> | <u>531</u> | <u>2,586</u> | <u>2,607</u> |

18. CONTINGENT LIABILITIES

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

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.

19. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £58,983 (1999 - £Nil).

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

20. FINANCIAL COMMITMENTS

At 31 May 2000 the company had annual commitments under non-cancellable operating leases as follows:

| | <i>Land and buildings</i> | |
|--------------------------------|---------------------------|-------------------|
| | <i>2000</i> | <i>1999</i> |
| | <i>£000</i> | <i>£000</i> |
| Operating leases which expire: | | |
| After five years | - | 37 |
| | <u> </u> | <u> </u> |

21. 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.

22. ULTIMATE PARENT UNDERTAKING

The 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.