Viridor Waste (Bristol) Limited (formerly Churngold Waste Management Limited) 2630920

Report and Financial Statements

4 June 2003

ERNST & YOUNG

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COMPANIES HOUSE 16/10/03

Registered No: 2630920

Directors
M Hellings
D B Robertson
J R Cardwell
B S Hurley

Secretary
M Heeley

Auditors
Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Bankers
Lloyds TSB Bank plc
61 Gloucester Road
Bristol
BS34 5JH

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Peninsula House
Rydon Lane
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Directors' report

The directors present their report and financial statements for the period ended 4 June 2003.

Results and dividends

The loss for the period, after taxation, amounted to £347,000 (2002 - £612,000 profit). The directors do not propose the payment of a dividend (2002 - £1,125,000).

Principal activities and review of the business

On 4 June 2003 the entire share capital of Viridor Waste (Bristol Holdings) Limited (formerly Churngold Holdings Limited), the parent company, was acquired by Viridor Waste Management Limited. On the 18 July 2003 the name of the Company was changed to Viridor Waste (Bristol) Limited.

The principal activities of Viridor Waste (Bristol) Limited continue to be waste collection and materials recycling.

Results for the period were held back by the performance of the tipper fleet and inert tipping activities. These business were sold on 4 June 2003 producing a loss on sale of £865,000.

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 present membership of the Board is as listed on page 1. The following changes occurred during the period:

J R Ancell	resigned 4 June 2003
A J G Chater	resigned 4 June 2003
G C Ballantyne	resigned 4 June 2003
J D Barcham	resigned 4 June 2003
D B Robertson	appointed 4 June 2003
J R Cardwell	appointed 4 June 2003
M Hellings	appointed 4 June 2003
B S Hurley	appointed 4 June 2003

None of the directors held an interest in the share capital of the company during the period or at the period end. Messrs M Hellings and D B Robertson are directors of Viridor Waste Limited and their interests in the ordinary shares of Pennon Group Plc for the year ended 31 March 2003 are disclosed in the financial statements of Viridor Waste Limited. Messrs J R Cardwell and B S Hurley are directors of Viridor Waste Management Limited and their interests for the year ended 31 March 2003 are disclosed in the financial statements of Viridor Waste Management Limited. During the period 1 April 2003 to 4 June 2003, Messrs Helling, Hurley and Robertson acquired 46, 45 and 129 additional shares respectively.

Directors' report

Directors' responsibilities in respect of the financial statements

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 of the company 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; 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 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 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

Following the changes in ownership, a resolution to appoint PricewaterhouseCoopers as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Secretary

Date 6 OCTOBER 2003

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Independent auditors' report

to the member of Viridor Waste (Bristol) Limited

We have audited the company's financial statements for the period ended 4 June 2003 which comprise the Profit and Loss Account, Note of Historical Cost Profits and Losses, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 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 4 June 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Bristol
Date 9 October 2003

Profit and loss account

for the period ended 4 June 2003

	Notes	*Period ended 4 June 2003 £000*	*Year ended 31 May 2002 £000*
Turnover	2	12,052	12,635
Continuing operations		8,066	7,192
Discontinued operations		3,986	5,443
Cost of sales	3	(9,343)	(9,613)
Gross profit		2,709	3,022
Administrative expenses	3	(1,988)	(1,971)
Operating profit	4	721	1,051
Continuing operations		539	644
Discontinued operations		182	407
Loss on sale of operations	5	(865)	-
(Loss)/profit on ordinary activities before interest and taxation		(144)	1,051
Interest payable and similar charges	7	(264)	(174)
(Loss)/profit on ordinary activities before taxation		(408)	877
Tax on (loss)/profit on ordinary activities	8	61	(265)
(Loss)/profit on ordinary activities after taxation		(347)	612
Dividends	9	-	(1,125)
Loss for the financial period/year transferred to reserves	19	(347)	(513)

Note of historical cost profits and losses

for the period ended 4 June 2003

	Period ended 4 June 2003 £000	*Year ended 31 May 2002 £000*
Reported (loss)/profit on ordinary activities before taxation	(408)	877
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	11	10
Historical cost (loss)/profit on ordinary activities before taxation	(397)	887
Historical cost loss for the period/year after taxation and dividends	(336)	(503)

Statement of total recognised gains and losses

for the period ended 4 June 2003

There were no other recognised gains or losses attributable to the shareholders of the company for the current period or preceding year other than as stated above.

Balance sheet

at 4 June 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	10	8,240	9,684
Investments	11	-	-
		8,240	9,684
Current assets			
Debtors	12	2,324	3,261
Cash at bank and in hand		1	1
		2,325	3,262
Creditors: amounts falling due within one year	13	6,127	7,438
Net current liabilities		(3,802)	(4,176)
Total assets less current liabilities		4,438	5,508
Creditors: amounts falling due after more than one year	14	(529)	(1,224)
Provisions for liabilities and charges	17	(192)	(220)
		3,717	4,064
Capital and reserves			
Called up share capital	18	2,047	2,047
Revaluation reserve	19	1,871	1,882
Profit and loss account	19	(201)	135
Equity shareholder's funds		3,717	4,064

- Director

Date 6 OCTOBER 2003

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Notes to the financial statements

at 4 June 2003

1. Accounting policies

Basis of preparation

The financial statements 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 228 of the Companies Act 1985 not to prepare group financial statements as it is a wholly owned subsidiary undertaking of a UK company producing consolidated accounts. Accordingly, these financial statements present information about the results of the company as an individual undertaking and not its group.

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 10 to 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 recorded in the balance sheet as current assets and are amortised in line with the filling of the void space at each site.

Where there is uncertainty over whether these charges will be recovered through future revenue streams adjustments are made to these current assets to reduce them to their expected recoverable amount.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 4 June 2003

1. Accounting policies (continued)

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.

Pensions

The company contributes to the personal pensions of certain employees and directors. Contributions are charged in the profit and loss account as incurred.

2. Turnover

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

3. Cost of sales and operating expenses

Period ended 4 June 2003

	Continuing operations *£000*	*Discontinued operations* *£000*	*Total* *£000*
Cost of sales	5,899	3,444	9,343
Administrative expenses	1,628	360	1,988

Year ended 31 May 2002

	Continuing operations *£000*	*Discontinued operations* *£000*	*Total* *£000*
Cost of sales	5,324	4,289	9,613
Administrative expenses	1,224	747	1,971

Notes to the financial statements

at 4 June 2003

4. Operating profit

This is stated after charging/(crediting):

	Period ended 4 June 2003 £000	*Year ended 31 May 2002 £000*
Directors' emoluments	93	61
Auditors' remuneration	7	8
Depreciation of owned fixed assets	522	563
Depreciation of assets acquired under finance leases and hire purchase contracts	708	577
Profit on sale of tangible fixed assets	(9)	(102)
Operating lease rentals:		
- land and buildings	34	20
- other	118	53

Directors' emoluments includes contributions made to personal pension schemes by the company.

5. Loss on sale of operations

On 4 June 2003 the company completed the disposal of its tipper business to Churngold Transport Limited, a company under common control at the time of the disposal. The disposal is analysed as follows:

	£000
Net assets disposed of:	
Fixed assets	981
Debtors	589
Creditors	(302)
	1,268
Loss on disposal	(865)
	403
Satisfied by:	
Cash	403

Notes to the financial statements

at 4 June 2003

6. Staff costs

	Period ended 4 June 2003 £000	Year ended 31 May 2002 £000
Wages and salaries	2,652	2,687
Social security costs	248	194
Other pension costs	32	26
	2,932	2,907

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

	Period ended 4 June 2003 No.	Year ended 31 May 2002 No.
Waste services	129	135

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7. Interest payable and similar charges

	Period ended 4 June 2003 £000	Year ended 31 May 2002 £000
Bank loans and overdrafts	156	53
Finance charges payable under finance leases and hire purchase contracts	108	121
	264	174

8. Tax on (loss)/profit on ordinary activities

An analysis of the tax (credit)/charge in the period/year is as follows:

	Period ended 4 June 2003 £000	Year ended 31 May 2002 £000
UK corporation tax	(30)	178
Adjustments in respect of prior years	(5)	-
Total current tax	(35)	178
Deferred tax (note 17)	(26)	87
Tax on (loss)/profit on ordinary activities	(61)	265

Notes to the financial statements

at 4 June 2003

8. Tax on (loss)/profit on ordinary activities (continued)

The tax assessed for the period is (higher)/lower than the standard rate of tax in the UK (30%). The differences are explained below:

	Period ended 4 June 2003 £000	*Year ended 31 May 2002 £000*
(Loss)/profit on ordinary activities before tax	(408)	877
(Loss)/profit on ordinary activities multiplied by standard rate of tax in the UK of 30%	(122)	263
Effects of:		
Expenses not deductible for tax purposes	83	4
Decelerated/(accelerated) capital allowances	9	(80)
Other timing differences	-	(3)
Group relief not paid for	-	(6)
Adjustments in respect of prior years	(5)	-
Current tax (credit)/charge	(35)	178

9. Dividends

	Period ended 4 June 2003 £000	*Year ended 31 May 2002 £000*
Interim dividend paid	-	1,050
Final dividend proposed	-	75
	-	1,125

Notes to the financial statements

at 4 June 2003

10. Tangible fixed assets

	Freehold land and buildings	*Motor vehicles*	*Plant and machinery*	*Total*
	£000	*£000*	*£000*	*£000*
Cost or valuation:				
At 1 June 2002	5,387	3,010	3,870	12,267
Additions	134	452	285	871
Disposals	-	(1,270)	(568)	(1,838)
At 4 June 2003	5,521	2,192	3,587	11,300
Depreciation:				
At 1 June 2002	26	951	1,606	2,583
Provided during the period	50	531	649	1,230
Disposals	-	(480)	(273)	(753)
At 4 June 2003	76	1,002	1,982	3,060
Net book value:				
At 4 June 2003	5,445	1,190	1,605	8,240
At 1 June 2002	5,361	2,059	2,264	9,684

The net book value of fixed assets includes £1,622,468 (2002 - £2,999,682) in respect of assets held under finance leases and hire purchase contracts. £1,012,015 (2002 - £1,871,153) of this sum is in respect of motor vehicles and £610,453 (2002 - £1,128,529) in respect of plant and machinery.

The freehold land and buildings at Filton and Henstridge were valued by King Sturge & Co Chartered Surveyors as at 31 May 2002 on the basis of an existing market valuation for existing use in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. This valuation confirmed the existing net book value as a reasonable estimation of current market value and therefore no adjustment to the carrying value was made. There have been no indicators of impairment in the current period.

Included within freehold land and buildings is land at a value of £4,160,000 which is not depreciated.

Notes to the financial statements

at 4 June 2003

10. Tangible fixed assets (continued)

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

	Freehold land and buildings	*Motor vehicles*	*Plant and machinery*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 June 2002	3,584	3,010	3,870	10,464
At 4 June 2003	3,718	2,192	3,587	9,497
Cumulative depreciation based on cost:				
At 1 June 2002	105	951	1,606	2,662
At 4 June 2003	144	1,002	1,982	3,128

11. Investments

	Subsidiary undertaking
	£000
Cost:	
At 1 June 2002 and 4 June 2003	22
Provision:	
At 1 June 2002 and 4 June 2003	(22)
Net book value:	
At 1 June 2002 and 4 June 2003	-

The investment in subsidiary undertaking represents 100% holding in the ordinary share capital of City Reclamation Services Limited. This company has been dormant since its trade and assets were transferred during the year ended 31 May 1999.

12. Debtors

	2003	*2002*
	£000	*£000*
Trade debtors	1,895	1,901
Amounts owed by group undertakings	-	136
Amounts owed by related undertakings	146	427
Other debtors	2	47
Corporation tax	107	-
Prepayments and accrued income	174	750
	2,324	3,261

Notes to the financial statements

at 4 June 2003

13. Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Bank overdraft	45	3,876
Current instalments due on loans (note 15)	2,236	49
Obligations under finance leases and hire purchase contracts (note 16)	503	821
Trade creditors	1,730	1,417
Amounts owed to group undertakings	987	357
Amounts owed to related undertakings	118	129
Corporation tax	-	179
Other taxes and social security costs	272	200
Other creditors	-	4
Accruals and deferred income	236	406
	6,127	7,438

14. Creditors: amounts falling due after more than one year

	2003	2002
	£000	£000
Loans (note 15)	-	316
Obligations under finance leases and hire purchase contracts (note 16)	529	908
	529	1,224

15. Loans

	2003	2002
	£000	£000
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	-	365
Repayable on demand to Viridor Waste Management Limited, interest at base rate plus 1% per annum	2,236	-
	2,236	365
Less included in creditors: amounts falling due within one year (note 13)	(2,236)	(49)
Amounts due after more than one year (note 14)	-	316

	2003	2002
	£000	£000
Amounts repayable:		
In one year or less or on demand	2,236	49
Between one and two years	-	49
Between two and five years	-	147
In five years or more	-	120
	2,236	365

The bank loan was repaid in full during the period as a result of the group restructuring.

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Notes to the financial statements

at 4 June 2003

16. Obligations under finance leases and hire purchase contracts

	2003	2002
	£000	£000
Amounts payable:		
Within one year	554	909
In two to five years	605	968
	1,159	1,877
Less: finance costs allocated to future periods	(127)	(148)
	1,032	1,729
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 13)	503	821
Non-current obligations (note 14)	529	908
	1,032	1,729

The movements in obligations under finance leases and hire purchase contracts during the period were as follows:

	£000
At 1 June 2002	1,729
New leases in the period	219
Leases transferred from Viridor EnviroScot Limited	37
Leases transferred to Churngold Transport Limited	(297)
Repayments made	(656)
At 4 June 2003	1,032

17. Provisions for liabilities and charges

	Restoration provisions	Deferred taxation	Total
	£000	£000	£000
At 1 June 2002	2	218	220
Movement in the period	(2)	(26)	(28)
At 4 June 2003	-	192	192

Notes to the financial statements

at 4 June 2003

17. Provisions for liabilities and charges (continued)

Deferred taxation provided in the financial statements is as follows:

	Accelerated capital allowances £000	*Other timing differences £000*	*Total £000*
At 1 June 2002	189	29	218
Credit for the period (note 8)	(26)	-	(26)
At 4 June 2003	163	29	192

No provision has been made for deferred tax on gains recognised on revalued property. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £659,000 (2002 - £680,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

18. Called up share capital

	Authorised, allotted, called up and fully paid 2003 and 2002 No.	*2003 and 2002 £000*
Ordinary shares of £1 each	2,046,563	2,047

19. Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	*Revaluation reserve £000*	*Profit and loss account £000*	*Total £000*
At 1 June 2001	2,047	1,892	638	4,577
Loss for the year	-	-	(513)	(513)
Transfer of revaluation element of depreciation charge	-	(10)	10	-
At 31 May 2002	2,047	1,882	135	4,064
Loss for the period	-	-	(347)	(347)
Transfer of revaluation element of depreciation charge	-	(11)	11	-
At 4 June 2003	2,047	1,871	(201)	3,717

20. Contingent liabilities

The performance bond provider holds a letter of cross guarantee between the company and its parent undertaking, and between the company and a fellow subsidiary. These cross guarantees still include the Churngold Construction Holdings Limited group and the Churngold Remediation Holdings Limited group.

Notes to the financial statements

at 4 June 2003

21. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2002 - £171,000).

22. Other financial commitments

At 4 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		*Other*	
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
within one year	8	-	3	298
in two to five years	-	-	65	334
	8	-	68	632

23. Related party transactions

The company was a wholly owned subsidiary of Viridor Waste (Bristol Holdings) Limited (formerly Churngold Holdings Limited) for the period ended 4 June 2003 and has therefore taken advantage of the exemption available under FRS 8 from disclosing transactions with members of that group during the period.

Viridor Waste (Holdings Bristol) Limited was under common control with Churngold Construction Holdings Limited up until 4 June 2003 when the former was acquired by Viridor Waste Management Limited.

During the period the company undertook the following transactions with members of the Churngold Construction Holdings Limited group as follows:

	Purchases by Viridor Waste (Bristol) Limited		*Sales by Viridor Waste (Bristol) Limited*	
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Churngold Transport Limited	-	-	404	-
Churngold Construction Limited	434	104	993	259
Churngold Surfacing Limited	3	-	14	2
Lulsgate Developments Limited	-	-	15	-
	437	104	1,426	261

Notes to the financial statements

at 4 June 2003

23. Related party transactions (continued)

The period end balances with members of Churngold Construction Holdings Limited Group were as follows:

		Amounts due to related undertakings		*Amounts due from related undertakings*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Churngold Construction Limited	110	121	146	424
Churngold Surfacing Limited	8	8	-	3
	118	129	146	427

During the period, the company purchased fixed assets to the value of £85,529 (2002 - £nil) from Viridor EnviroScot Limited (formerly EnviroScot Limited), which was a fellow subsidiary until 4 June 2003.

24. Ultimate parent undertaking

The ultimate parent undertaking at the period end is Pennon Group Plc. Pennon Group Plc's year end is March and therefore the results of the company have not been consolidated by Pennon Group Plc. Viridor Waste (Bristol Holdings) Limited (formerly Churngold Holdings Limited) represents the smallest and largest group into which the results of the company have been consolidated for the current year.

Copies of the consolidated accounts of Viridor Waste (Bristol Holdings) Limited can be obtained from its registered office.