

**Churngold Remediation Limited**  
Financial statements  
For the year ended 31 May 2005

Grant Thornton 



**Company No. 02761171**

## Company information

Company registration number	02761171
Registered office	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
Directors	J R Ancell C A Sillars J Ridgeway H J Ventham R S Pollock
Secretary	R N Tredwin
Bankers	Lloyds TSB Bank plc 61 Gloucester Road Bristol BS34 5JH
Solicitors	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 43 Queen Square Bristol BS1 4QR

## Index

Report of the directors	3 - 4
Report of the independent auditors	5 - 6
Principal accounting policies	7 - 8
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11 - 17

## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2005.

### Principal activities and business review

The principal activity of the company continued to be the remediation of contaminated sites throughout the United Kingdom and South Africa.

### Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend (2004 - proposed £200,000).

### Directors and their interests in the shares of the company

The directors who served the company during the year were as follows:

J R Ancell  
C A Sillars  
J Ridgeway  
H J Ventham  
D J Sanders  
R S Pollock

(Appointed 1 December 2004)

No Director held any interest in the share capital of the company during the year. J R Ancell, C A Sillars, J Ridgeway and H J Ventham are the only directors who hold an interest in the share capital of the ultimate parent undertaking, Churngold Remediation Holdings Limited. The interests of J R Ancell and C A Sillars at the year end and at the start of the year are shown in that company's financial statements, a copy of which can be obtained from its registered office.

The interests of J Ridgeway and H J Ventham in the ultimate parent company, Churngold Remediation Holdings Limited are as follows:

J Ridgeway	40 'D' shares
H J Ventham	40 'D' shares

D J Sanders resigned as a director on 27 June 2005.

### Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

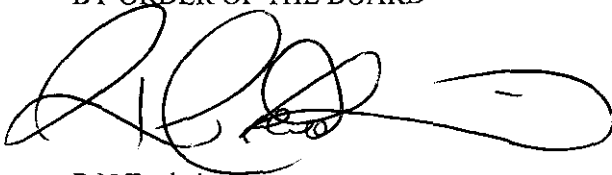
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A large, stylized handwritten signature in black ink, appearing to read 'R N Tredwin', is written over the printed name and title.

R N Tredwin  
Secretary  
1 November 2005

## Report of the independent auditors to the members of Churngold Remediation Limited

We have audited the financial statements of Churngold Remediation Limited for the year ended 31 May 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 22. These financial statements have been prepared under 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

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 report of the directors 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 other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of opinion

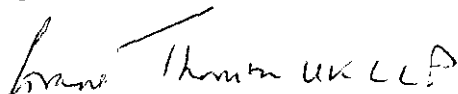
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

## Report of the independent auditors to the members of Churngold Remediation Limited (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 May 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

**Bristol**  
**1 November 2005**

## Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention.

### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

### Turnover

Turnover is the total amount receivable for goods and services provided, net of VAT and trade discounts. In the case of long term contracts, turnover represents the sales value of work done in the year.

### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery                      -            over 3 to 5 years (straight line)

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability. The interest element represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the agreement.

### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the capital element which reduces the outstanding obligation for future instalments, and the finance element, which represents a constant proportion of the outstanding obligation for future instalments and is charged to the profit and loss account over the period of the lease.

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.



#### **Pension costs**

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

#### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### **Long-term contracts**

Turnover and related costs on each long-term contract are recorded in the profit and loss account as contract activity progresses. Turnover is calculated on the basis of the value of the work done. Attributable profit is calculated on a prudent basis for each contract by reference to the contract's cumulative turnover, total contract value and total profit estimated for the completed contract. Full provision is made for losses on a contract immediately they can be foreseen. Work in progress is included in amounts recoverable on long-term contracts.

## Profit and loss account

	Note	2005 £000	2004 £000
Turnover	1	5,811	6,757
Cost of sales		(5,055)	(5,276)
Gross profit		756	1,481
Other operating charges	2	(1,287)	(1,081)
<b>Operating (loss)/profit</b>	3	<b>(531)</b>	<b>400</b>
Interest receivable	6	2	6
Interest payable and similar charges	7	(5)	—
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(534)</b>	<b>406</b>
Tax on (loss)/profit on ordinary activities	8	89	(135)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(445)</b>	<b>271</b>
Dividends	9	—	(200)
<b>(Loss)/profit for the financial year</b>	18	<b>(445)</b>	<b>71</b>

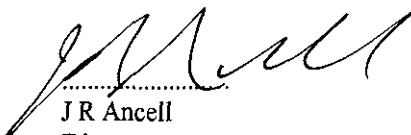
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

## Balance sheet

	Note	2005 £000	2004 £000
<b>Fixed assets</b>			
Tangible assets	10	<u>66</u>	<u>83</u>
<b>Current assets</b>			
Debtors	11	1,198	1,058
Cash at bank and in hand		<u>12</u>	<u>611</u>
		1,210	1,669
<b>Creditors: amounts falling due within one year</b>	12	<u>1,642</u>	<u>1,673</u>
<b>Net current liabilities</b>		<u>(432)</u>	<u>(4)</u>
<b>Total assets less current liabilities</b>		<u>(366)</u>	<u>79</u>
<b>Capital and reserves</b>			
Called-up equity share capital	17	16	16
Profit and loss account	18	<u>(382)</u>	<u>63</u>
<b>(Deficiency)/shareholders' funds</b>	19	<u>(366)</u>	<u>79</u>

These financial statements were approved by the directors on 1 November 2005 and are signed on their behalf by:

  
J R Ancell  
Director

## Notes to the financial statements

### 1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.  
An analysis of turnover is given below:

	2005 £000	2004 £000
United Kingdom	5,440	6,219
South Africa	371	538
	<u>5,811</u>	<u>6,757</u>

### 2 Other operating charges

	2005 £000	2004 £000
Administrative expenses	<u>1,287</u>	<u>1,081</u>

### 3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2005 £000	2004 £000
Depreciation of owned fixed assets	70	58
Auditors' remuneration:		
Audit fees	4	4
Non-audit fees	1	1
Operating lease costs:		
Land and buildings	38	18
Plant and equipment	84	22
Net loss on foreign currency translation	<u>4</u>	<u>3</u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2005 No	2004 No
Number of management staff	6	6
Number of service staff	25	18
	<u>31</u>	<u>24</u>

The aggregate payroll costs of the above were:

	2005 £000	2004 £000
Wages and salaries	1,262	952
Social security costs	126	81
Other pension costs	65	34
	<u>1,453</u>	<u>1,067</u>

5 Directors

Remuneration in respect of directors was as follows:

	2005 £000	2004 £000
Emoluments receivable	282	196
Value of company pension contributions to money purchase schemes	15	8
	<u>297</u>	<u>204</u>

Emoluments of highest paid director:

	2005 £000	2004 £000
Total emoluments (excluding pension contributions)	89	84
Value of company pension contributions to money purchase schemes	4	4
	<u>93</u>	<u>88</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2005 No	2004 No
Money purchase schemes	<u>5</u>	<u>4</u>

6 Interest receivable

	2005 £000	2004 £000
Bank interest receivable	<u>2</u>	<u>6</u>

7 Interest payable and similar charges

	2005 £000	2004 £000
Interest payable on bank borrowing	<u>5</u>	<u>—</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £000	2004 £000
Current tax:		
UK Taxation		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	(112)	107
Under provision in prior year	<u>3</u>	<u>—</u>
Foreign tax		
Current tax on income for the year	<u>20</u>	<u>28</u>
Total current tax	<u>(89)</u>	<u>135</u>

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £000	2004 £000
(Loss)/profit on ordinary activities before taxation	<u>(534)</u>	<u>406</u>
(Loss)/profit on ordinary activities multiplied by rate of tax	(160)	122
Expenses not deductible for tax purposes	(1)	5
Capital allowances for period in excess of depreciation	4	4
Utilisation of tax losses	161	—
Carry back of losses	(110)	—
Overseas tax on branch profits	20	28
Double tax relief	(6)	(24)
Group relief surrendered	2	—
Under provision in prior years	3	—
Receivable for group relief	<u>(2)</u>	<u>—</u>
Total current tax (note 8(a))	<u>(89)</u>	<u>135</u>

9 Dividends

	2005 £000	2004 £000
Equity dividends:		
Proposed dividend on ordinary shares	<u>—</u>	<u>200</u>

10 Tangible fixed assets

	Plant & Machinery £000
Cost	
At 1 June 2004	229
Additions	53
At 31 May 2005	<u>282</u>
Depreciation	
At 1 June 2004	146
Charge for the year	70
At 31 May 2005	<u>216</u>
Net book value	
At 31 May 2005	<u>66</u>
At 31 May 2004	<u>83</u>

11 Debtors

	2005 £000	2004 £000
Trade debtors	734	391
Corporation tax repayable	110	—
Amounts recoverable on contracts	272	646
Other debtors	44	—
Prepayments and accrued income	38	21
	<u>1,198</u>	<u>1,058</u>

**12 Creditors: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	141	–
Trade creditors	990	615
Amounts owed to group undertakings	25	226
Amounts owed to related parties	–	1
Corporation tax	14	127
Other taxation and social security	52	117
Other creditors	22	4
Amounts owed to related undertakings	14	–
Accruals and deferred income	384	583
	<u>1,642</u>	<u>1,673</u>

The bank overdraft is secured by a cross guarantee from Churngold Construction Holdings Limited, an unlimited debenture from Churngold Remediation Limited and an unlimited all moneys guarantee from Churngold Remediation Holdings Limited.

**13 Pensions**

The company operates a defined contribution scheme for the benefit of all employees. The assets of the schemes are administered by trustees in a fund independent from those of the company..

**14 Leasing commitments**

At 31 May 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	<b>2005</b>		<b>2004</b>	
	<b>Land &amp; Buildings</b>	<b>Other Items</b>	<b>Land &amp; Buildings</b>	<b>Other Items</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating leases which expire:				
Within 1 year	–	6	18	–
Within 2 to 5 years	28	80	–	56
	<u>28</u>	<u>86</u>	<u>18</u>	<u>56</u>

**15 Contingent liabilities**

There are no contingent liabilities at 31 May 2005 or 31 May 2004. The company has available facilities in respect of performance bonds entered into in the normal course of business. The performance bond provider holds a letter of cross guarantee between the company and its parent undertaking. Additionally, the bank holds a letter of cross guarantee and debenture between the company and its immediate and ultimate parent undertaking in respect of bank borrowings.



## 16 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 Remediation Holdings Limited group of companies for the year.

During the year the company undertook the following transactions and had amounts owing to/from members of the Churngold Construction Holdings Limited group and Churngold Transport Limited, entities where J R Ancell is both a director and able to exercise control over more than 20% of the voting rights:

	<b>Purchases £000</b>	<b>Sales £000</b>	<b>Owed to £000</b>	<b>Owed by £000</b>
<b>2005</b>				
Churngold Construction Limited	152	—	11	—
Churngold Transport Limited	<u>103</u>	<u>—</u>	<u>3</u>	<u>—</u>
<b>2004</b>				
Churngold Construction Limited	99	31	1	—
Churngold Transport Limited	<u>338</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 17 Share capital

Authorised share capital:

	<b>2005 £ 000</b>	<b>2004 £000</b>
101,473 Ordinary shares of £1 each	<u>101</u>	<u>101</u>

Allotted, called up and fully paid:

	<b>2005 No</b>	<b>£000</b>	<b>2004 No</b>	<b>£000</b>
Ordinary shares of £1 each	<u>15,823</u>	<u>16</u>	<u>15,823</u>	<u>16</u>

## 18 Profit and loss account

	<b>2005 £000</b>	<b>2004 £000</b>
Balance brought forward	63	(8)
(Accumulated loss)/retained profit for the financial year	<u>(445)</u>	<u>71</u>
Balance carried forward	<u>(382)</u>	<u>63</u>

**19 Reconciliation of movements in shareholders' funds**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
(Loss)/Profit for the financial year	<b>(445)</b>	271
Dividends	<u>—</u>	<u>(200)</u>
	<b>(445)</b>	71
Opening shareholders' equity funds	<u>79</u>	<u>8</u>
Closing shareholders' equity (deficit)/funds	<u><b>(366)</b></u>	<u>79</u>

**20 Capital commitments**

The directors have confirmed that there were no capital commitments at 31 May 2005 or 31 May 2004.

**21 Ultimate parent company**

The company is a wholly owned subsidiary of Churngold Remediation Holdings Limited. Churngold Remediation Holdings Limited represents the smallest and largest group into which the results of the company are consolidated. Group financial statements are available at the registered office of this company.

**22 Going Concern**

Despite net liabilities of £366,000 at 31 May 2005, the directors consider that the company has sufficient resources available to justify preparing the financial statements on a going concern basis.