Churngold Remediation Limited

Financial statements

For the year ended 31 May 2006

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 (Chairman) C A Sillars (Managing director) J Ridgeway (Commercial director) H J Ventham (Operations director) R S Pollock (Technical director) R N Tredwin (Finance director)
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

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2006.

Principal activities and business review

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

A financial restructuring of the business and prompt remedial action over the last twelve to fifteen months has assisted the return to profitability.

Considerable progress has been made in widening the client base and regional offices have been established to meet our customer requirements.

Future developments

The directors recognise that the market place continues to be volatile, with clients and projects facing planning, environmental and funding issues that can significantly delay contract starts. However, the directors consider that given the progress made last year, the company is well placed to continue to perform satisfactorily given a favourable trading climate.

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.

Key performance indicators

		2006	2005	Change in the year
Financial metrics				
Revenue	£000	**5,258**	5,811	- 10%
Earnings before interest, tax, depreciation and central management charges	£000	**485**	(305)	+ 790
Average days turnover in amounts recoverable on contracts and trade debtors	Days	**92**	83	+ 9
People				
Staff as at 31 May	No	**26**	34	- 24%

Funding and risk management objectives and policies

The main risks arising are liquidity and credit risks. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity

The company uses overdraft facilities provided by Lloyds Bank for short-term flexibility. At the year end the company had access to undrawn committed borrowing facilities of £500,000. The maturity profile of committed banking facilities is regularly reviewed and such facilities are extended or replaced well in advance of their expiry. The company does not enter into speculative financial transactions and uses financial instruments (e.g. Trade Credit Insurance) for certain risk management purposes.

Credit risk

The company's principal financial assets are cash, trade debtors and amounts recoverable on contracts. The company limits deposits to short term deposits with its bankers. The principal credit risk arises therefore from its debtors/amounts recoverable on contracts.

In order to manage this risk all jobs and customers are credit checked at contract stage and credit insurance is arranged on the majority of debts.

The 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	
R S Pollock	
R N Tredwin	(Appointed 28 October 2005)
D J Sanders	(Resigned 27 June 2005)

No Director held any interest in the share capital of the company during the year. J R Ancell, C A Sillars, J Ridgeway, H J Ventham, R S Pollock and R N Tredwin 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, C A Sillars and R N Tredwin 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, H J Ventham and R S Pollock in the ultimate parent company, Churngold Remediation Holdings Limited are as follows:

J Ridgeway	40 'D' shares
H J Ventham	40 'D' shares
R S Pollock	5 'D' shares

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

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 and of the profit or loss of the company for that year. 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.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware; and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

R N Tredwin
Secretary
25 August 2006

Grant Thornton

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 2006 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 20. 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 and the information given in the Report of the Directors is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

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

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements for the year ended 31 May 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Bristol
25 August 2006

Principal accounting policies

Basis of accounting

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

Going concern

Despite having net liabilities at 31 May 2006 of £273,000 the directors consider that the company has sufficient resources available in terms of both bank and related party funding to justify preparing the financial statements on a going concern basis.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-FRS 21 'Events after the Balance Sheet date (IAS 10)'.

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

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

Monetary 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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

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	2006 £000	2005 £000
Turnover	1	**5,258**	5,811
Cost of sales		**(3,919)**	(5,055)
Gross profit		**1,339**	756
Other operating charges	2	**(1,203)**	(1,287)
Operating profit/(loss)	3	**136**	(531)
Interest receivable and similar income	6	**3**	2
Interest payable and similar charges	7	**(45)**	(5)
Profit/(loss) on ordinary activities before taxation		**94**	(534)
Tax on profit/(loss) on ordinary activities	8	**(1)**	89
Profit/(loss) for the financial year	17	**93**	(445)

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	2006 £000	2005 £000
Fixed assets			
Tangible assets	9	33	66
Current assets			
Debtors	10	1,588	1,198
Cash at bank and in hand		73	12
		1,661	1,210
Creditors: amounts falling due within one year	11	1,967	1,642
Net current liabilities		(306)	(432)
Total assets less current liabilities		(273)	(366)
Capital and reserves			
Called-up equity share capital	16	16	16
Profit and loss account	17	(289)	(382)
Deficit	18	(273)	(366)

These financial statements were approved by the directors on 25 August 2006 and are signed on their behalf by:

J R Ancell (Chairman)
Director

Notes to the financial statements

1 Turnover

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

	2006 £000	2005 £000
United Kingdom	**5,258**	5,440
South Africa	-	371
	5,258	5,811

2 Other operating charges

	2006 £000	2005 £000
Administrative expenses	**1,203**	1,287

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2006 £000	2005 £000
Depreciation of owned fixed assets	**39**	70
Auditors' remuneration:		
Audit fees	**4**	4
Non-audit fees	**2**	1
Operating lease costs:		
Plant and equipment	**69**	84
Land and buildings	**52**	38
Net loss on foreign currency translation	**1**	4

4 Directors and employees

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

	2006 No	2005 No
Number of management staff	5	6
Number of service staff	20	25
	25	31

The aggregate payroll costs of the above were:

	2006 £000	2005 £000
Wages and salaries	872	1,262
Social security costs	107	126
Other pension costs	45	65
	1,024	1,453

5 Directors

Remuneration in respect of directors was as follows:

	2006 £000	2005 £000
Emoluments receivable	292	282
Value of company pension contributions to money purchase schemes	14	15
	306	297

Emoluments of highest paid director:

	2006 £000	2005 £000
Total emoluments (excluding pension contributions)	96	89
Value of company pension contributions to money purchase schemes	5	4
	101	93

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

	2006 No	2005 No
Money purchase schemes	5	5

6 Interest receivable and similar income

	2006 £000	2005 £000
Other similar income receivable	3	2

7 Interest payable and similar charges

	2006 £000	2005 £000
Interest payable on bank borrowing	38	5
Other interest payable	7	-
	45	5

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006 £000	2005 £000
Current tax:		
UK Taxation		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	1	(112)
Over/under provision in prior year	-	3
	1	(109)
Foreign tax		
Current tax on income for the year	-	20
Total current tax	1	(89)

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%).

	2006 £000	2005 £000
Profit/(loss) on ordinary activities before taxation	94	(534)
Profit/(loss) on ordinary activities multiplied by rate of tax	28	(160)
Expenses not deductible for tax purposes	7	(1)
Depreciation for period in excess of capital allowances	2	4
Utilisation of tax losses	(36)	161
Carry back of losses	-	(110)
Under provision in prior years	-	3
Overseas tax on branch profits	-	20
Double tax relief	-	(6)
Group relief surrendered	-	2
Receivable for group relief	-	(2)
Total current tax (note 8(a))	1	(89)

9 Tangible fixed assets

	Plant & Machinery £000
Cost	
At 1 June 2005	282
Additions	6
At 31 May 2006	288
Depreciation	
At 1 June 2005	216
Charge for the year	39
At 31 May 2006	255
Net book value	
At 31 May 2006	33
At 31 May 2005	66

10 Debtors

	2006 £000	2005 £000
Trade debtors	1,144	734
Amounts recoverable on contracts	411	272
Other debtors	-	44
Corporation tax repayable	-	110
Prepayments and accrued income	33	38
	1,588	1,198

11 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank overdraft	-	141
Trade creditors	927	990
Amounts owed to group undertakings	65	25
Corporation tax	1	14
Other taxation and social security	80	52
Other creditors	23	22
Amounts owed to related undertakings	412	14
Accruals and deferred income	459	384
	1,967	1,642

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

12 Pensions

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

13 Leasing commitments

At 31 May 2006 the company had annual commitments under non-cancellable operating leases as set out below.

	2006		2005	
	Land & Buildings £000	Other Items £000	Land & Buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	-	18	-	6
Within 2 to 5 years	52	42	28	80
	52	60	28	86

14 Contingent liabilities

There are no contingent liabilities at 31 May 2006 or 31 May 2005.

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 and performance bonds.

15 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 Recycling Limited (formerly 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:

	Purchases £000	Sales £000	Owed to £000	Owed by £000
2006				
Churngold Construction Holdings Limited	**4**	–	–	–
Churngold Construction Limited	**105**	**144**	**405**	–
Churngold Recycling Limited	**101**	–	**7**	–
Churngold Surfacing Limited	–	**4**	–	–
2005				
Churngold Construction Limited	152	-	11	-
Churngold Recycling Limited	103	-	3	-

16 Share capital

Authorised share capital:

	2006 £000	2005 £000
101,473 Ordinary shares of £1 each	101	101

Allotted, called up and fully paid:

	2006 No	2006 £000	2005 No	2005 £000
Equity shares				
Ordinary shares of £1 each	15,823	16	15,823	16

17 Profit and loss account

	2006 £000	2005 £000
Balance brought forward	(382)	63
Profit/(loss) for the financial year	93	(445)
Balance carried forward	(289)	(382)

18 Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
Profit/(Loss) for the financial year	93	(445)
Opening shareholders' equity (deficit)/funds	(366)	79
Closing shareholders' equity deficit	(273)	(366)

19 Capital commitments

The directors have confirmed that there were no capital commitments at 31 May 2006 or 31 May 2005.

20 Ultimate parent company and controlling related party

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.

The directors consider J R Ancell (Chairman) is the company's controlling related party by virtue of his majority beneficial shareholding in the ultimate parent company.