

Churngold Remediation Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2012



Churngold Remediation Limited

COMPANY INFORMATION

DIRECTORS

A R Brown (Managing Director)
H J Ventham (Environmental Director)
R K McCabe (Director)

SECRETARY

R N Tredwin

REGISTERED OFFICE

St Andrews House
St Andrews Road
Avonmouth
Bristol
BS11 9DQ

BANKERS

Lloyds TSB Bank plc
61 Gloucester Road
Bristol
BS34 5JH

SOLICITORS

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
Hartwell House
55 - 61 Victoria Street
BRISTOL
BS1 6AD

Churngold Remediation Limited

REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the company for the year ended 31 May 2012

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be the remediation of contaminated sites throughout the UK

This year has seen a further positive trading result and reduction in debt levels

FUTURE DEVELOPMENTS

The company's breadth of remediation solutions continues to offer considerable potential for development and expansion, however, we expect the construction and remediation markets to continue to be challenging for at least the next 12 months

The directors have prepared projected cash flow information which shows that the company can continue to operate within its £300,000 overdraft facility (renewed in August 2012 for a period of 12 months) On the basis of this information, the directors consider it appropriate to prepare the financial statements on the going concern basis

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £72,000 (2011 £146,000) The directors have not recommended a dividend

KEY PERFORMANCE INDICATORS

Financial metrics		2012	2011	Change in the year
Revenue	£000	1,511	993	+ 52%
Profit before interest, tax, depreciation, amortisation and central management charges	£000	81	154	- 47%
Average days turnover in amounts recoverable on contracts and trade debtors	Days	125	106	+ 19days
People				
Staff as at 31 May	No	7	7	-

The Directors consider the KPI's acceptable in the current economic climate.

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 TSB Bank plc for short-term flexibility At the year end the company has access to bank borrowing facilities of £300,000 made available until August 2013 The maturity profile of 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

Churngold Remediation Limited

REPORT OF THE DIRECTORS (*continued*)

DIRECTORS

The directors who served the company during the year and following the year end were as follows

H J Ventham
R N Tredwin (Resigned 23 December 2011)
R K McCabe
A R Brown

DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

Baker Tilly UK Audit LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2005 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD



R N Tredwin
Secretary
8 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHURNGOLD REMEDIATION LIMITED

We have audited the financial statements on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime.

Baker Tilly UK Audit LLP

ANDREW ALLCHIN (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Hartwell House

55-61 Victoria Street

Bristol

BS1 6AD

Date: 8 August 2012

Churngold Remediation Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2012

	Note	2012 £000	2011 £000
TURNOVER	2	1,511	993
Cost of sales		(1,193)	(593)
GROSS PROFIT		318	400
Administrative expenses		(240)	(247)
OPERATING PROFIT	3	78	153
Interest payable and similar charges	6	(6)	(7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		72	146
Tax on profit on ordinary activities	7	-	-
PROFIT FOR THE FINANCIAL YEAR	17	72	146

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

Churngold Remediation Limited

BALANCE SHEET

as at 31 May 2012

	Note	2012 £000	2011 £000
FIXED ASSETS			
Tangible assets	8	3	6
CURRENT ASSETS			
Debtors	9	764	406
Cash at bank and in hand		110	-
		874	406
CREDITORS amounts falling due within one year	10	911	544
NET CURRENT LIABILITIES		(37)	(138)
TOTAL ASSETS LESS CURRENT LIABILITIES		(34)	(132)
CREDITORS amounts falling due after more than one year	11	208	182
		(242)	(314)
CAPITAL AND RESERVES			
Called-up share capital	16	16	16
Profit and loss account	17	(258)	(330)
SHAREHOLDERS DEFICIT	18	(242)	(314)

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

These financial statements on pages 6 to 14 were approved by the directors and authorised for issue on 8 August 2012, and are signed on their behalf by



A R Brown
Director

Churngold Remediation Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2012

1 PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

The principal accounting policies of the company have remained unchanged from the previous year

GOING CONCERN

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

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)

Motor Vehicles – over 2 to 7 years (straight line)

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 in respect of 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 on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date

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 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. The value of work completed at the year end and for which no sales invoice has been raised or no certification paid is included in amounts recoverable on long-term contracts

Churngold Remediation Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 May 2012

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity¹ of the company. An analysis of turnover is given below:

	2012 £000	2011 £000
United Kingdom	1,511	993

3 OPERATING PROFIT

Operating profit is stated after charging:

	2012 £000	2011 £000
Depreciation of owned fixed assets	3	1
Auditor's remuneration		
Audit fees – Baker Tilly UK Audit LLP	3	3
Non-audit fees – Baker Tilly Tax and Accounting Limited	1	1
Operating lease costs		
Plant and equipment	120	243
Land and buildings	11	8

4 DIRECTORS AND EMPLOYEES

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

	2012 No	2011 No
Number of management staff	3	3
Number of service staff	4	7
	7	10

The aggregate payroll costs of the above were:

	2012 £000	2011 £000
Wages and salaries	219	226
Social security costs	23	30
Other pension costs	-	-
	242	256

Churngold Remediation Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 May 2012

5 DIRECTORS

Remuneration in respect of directors was as follows

	2012 £000	2011 £000
Emoluments receivable	<u>75</u>	<u>59</u>

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

	2012 No	2011 No
Money purchase schemes	<u>1</u>	<u>1</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £000	2011 £000
Interest payable on bank borrowing	<u>6</u>	<u>7</u>

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2012 £000	2011 £000
Current tax		
UK Corporation tax based on the results for the year at 26% (2011 28%)	-	-
(Over)/under provision in prior year	-	-
Total current tax	<u>-</u>	<u>-</u>

(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 26% (2011 28%)

	2012 £000	2011 £000
Profit on ordinary activities before taxation	<u>72</u>	<u>146</u>
Profit on ordinary activities by rate of tax	18	40
Expenses not deductible for tax purposes	-	1
Capital allowances for period in excess of depreciation	(1)	(2)
Losses utilised	(17)	(26)
Other timing differences	-	(13)
Total current tax (note 7(a))	<u>-</u>	<u>-</u>

Churngold Remediation Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2012

8 TANGIBLE FIXED ASSETS

	Plant & Machinery £000
Cost	
At 1 June 2011	304
Additions	-
At 31 May 2012	304
Depreciation	
At 1 June 2011	298
Charge for the year	3
At 31 May 2012	301
Net Book Value	
At 31 May 2012	3
At 31 May 2011	6

9 DEBTORS

	2012 £000	2011 £000
Trade debtors	235	7
Amounts owed by related undertakings	116	61
Amounts recoverable on contracts	282	281
Amounts owed by group undertakings	58	56
Other debtors	70	-
Prepayments and accrued income	3	1
	764	406

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £000	2011 £000
Bank overdraft	-	220
Trade creditors	305	61
Other taxation and social security	6	25
Other creditors	28	24
Amounts owed to related undertakings	471	8
Accruals and deferred income	101	206
	911	544

The £300,000 bank overdraft facility is secured by a cross guarantee from Churngold Remediation Holdings Limited and Churngold Construction Holdings Limited

Churngold Remediation Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2012

11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £000	2011 £000
Other creditors	208	182

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 2012 the company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	Land & Buildings £000	Other Items £000	Land & Buildings £000	Other Items £000
Operating leases which expire				
Within 1 year	6	-	8	-
Within 2 to 5 years	-	-	-	-
	<u>6</u>	<u>-</u>	<u>8</u>	<u>7</u>

14 CONTINGENT LIABILITIES

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £nil as at 31 May 2012 (2011 £100,000). The performance bond provider holds a letter of cross guarantee between the company, its parent undertaking and Churngold Construction Holdings Limited. Additionally, the bank holds a letter of cross guarantee and debenture between the company, its ultimate parent undertaking and Churngold Construction Holdings Limited in respect of bank borrowings.

Churngold Remediation Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 May 2012

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, Churngold Recycling Limited and JWS Churngold Limited entities where J R Ancell is either a director and/or has an interest in more than 20% of the voting rights

	Purchases £000	Sales £000	Owed to £000	Owed by £000
2012				
Churngold Construction Limited	463	110	259	115
Churngold Surfacing Limited	-	4	-	-
Churngold Recycling Limited	191	5	212	1
JWS Churngold Limited	-	87	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2011				
Churngold Construction Holdings Limited				
Churngold Construction Limited	122	122	8	-
Churngold Surfacing Limited	-	4	-	-
Churngold Recycling Limited	5	1	-	-
JWS Churngold Limited	-	175	-	61
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 SHARE CAPITAL

	No	2012 £000	No	2011 £000
Allotted, called up and fully paid Ordinary shares of £1 each	15,823	16	15,823	16
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 PROFIT AND LOSS ACCOUNT

	2012 £000	2011 £000
Balance brought forward	(330)	(476)
Profit for the financial year	72	146
	<u> </u>	<u> </u>
Balance carried forward	(258)	(330)
	<u> </u>	<u> </u>

Churngold Remediation Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 May 2012

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2012 £000	2011 £000
Profit for the financial year	72	146
Opening shareholder's deficit	(314)	(460)
Closing shareholder's deficit	<u>(242)</u>	<u>(314)</u>

19 CAPITAL COMMITMENTS

The directors have confirmed that there were no capital commitments at 31 May 2012 or 31 May 2011.

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 is the company's controlling related party by virtue of his majority beneficial shareholding in the ultimate parent company.