



Financial statements

Churngold Remediation Limited

For the Year Ended 31 May 2008

Company information

Company registration number	02761171
Registered office	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
Directors	B Foley (Managing Director) C A Sillars (Special Projects Director) H J Ventham (Environmental Director) R S Pollock (Technical Director) R N Tredwin (Finance Director) R McCabe (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
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Hartwell House 55 - 61 Victoria Street BRISTOL BS1 6FT

Index

Report of the directors	3 - 5
Report of the independent auditor	6 - 7
Principal accounting policies	8 - 10
Profit and loss account	11
Balance sheet	12
Notes to the financial statements	13 - 18

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2008.

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 significant improvement in the results, with a return to profitability and a net asset cash backed balance sheet. The larger nature and longevity of the contracts secured have assisted the business in returning to profitability. The provision made against future losses on one contract last year was found to be insufficient and unfortunately further losses were incurred this year to complete the contract.

Future developments

The company's breadth of remediation solutions continues to offer considerable potential for development and expansion. However, given the uncertain economic conditions that currently exist, particularly in the construction and housing industry, we expect the 2008 / 2009 results to reflect a lower level of activity.

Results and dividends

The profit for the year, after taxation, amounted to £675,000. The directors have not recommended a dividend.

Key performance indicators

		2008	2007	Change in the year
Financial metrics				
Revenue	£000	11,016	4,948	+123%
Earnings/(loss) before interest, tax, depreciation, amortisation and central management charges	£000	1,004	(177)	+1,181
Average days turnover in amounts recoverable on contracts and trade debtors	Days	70	87	- 17 days
People				
Staff as at 31 May	No	39	27	+ 44%

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 has 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.

Directors

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

C A Sillars	
J Ridgeway	
H J Ventham	
R S Pollock	
R N Tredwin	
B Foley	(Appointed 17 March 2008)
R K McCabe	(Appointed 17 March 2008)

J Ridgeway (Commercial director) resigned as a director on 5 June 2008.

Directors' responsibilities

The directors are responsible for preparing the Annual 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 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 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 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.

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.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor 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
22 August 2008



Report of the independent auditor to the members of Churngold Remediation Limited

We have audited the financial statements of Churngold Remediation Limited for the year ended 31 May 2008 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we 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 auditor 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 2008 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.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Bristol
22 August 2008

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)

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.

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.

Share-based payment

Equity-settled share-based payment.

All material share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "other reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

In the opinion of the directors the potential charge arising under FRS 20 is not material to these financial statements and so has not been recognised.

Profit and loss account

	Note	2008 £000	2007 £000
Turnover	1	11,016	4,948
Cost of sales		<u>(8,839)</u>	<u>(3,129)</u>
Gross profit		2,177	1,819
Other operating charges	2	<u>(1,347)</u>	<u>(2,128)</u>
Operating profit/(loss)	3	830	(309)
Interest receivable and similar income	6	14	1
Interest payable and similar charges	7	(12)	(38)
Profit/(loss) on ordinary activities before taxation		<u>832</u>	<u>(346)</u>
Tax on profit/(loss) on ordinary activities	8	(157)	2
Profit/(loss) for the financial year	17	<u><u>675</u></u>	<u><u>(344)</u></u>

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	2008 £000	2007 £000
Fixed assets			
Tangible assets	9	<u>6</u>	<u>10</u>
Current assets			
Debtors	10	1,802	1,285
Cash at bank and in hand		562	50
		<u>2,364</u>	<u>1,335</u>
Creditors: amounts falling due within one year	11	<u>2,312</u>	<u>1,962</u>
Net current assets/(liabilities)		<u>52</u>	<u>(627)</u>
Total assets less current liabilities		<u>58</u>	<u>(617)</u>
Capital and reserves			
Called-up equity share capital	16	16	16
Profit and loss account	17	42	(633)
		<u>58</u>	<u>(617)</u>
Shareholders' funds/(deficit)	18	<u>58</u>	<u>(617)</u>

These financial statements were approved by the directors on 22 August 2008 and are signed on their behalf by:

R N Tredwin
 Director

Notes to the financial statements

1 Turnover

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

	2008 £000	2007 £000
United Kingdom	11,016	4,935
South Africa	-	13
	<u>11,016</u>	<u>4,948</u>

2 Other operating charges

	2008 £000	2007 £000
Administrative expenses	<u>1,347</u>	<u>2,128</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2008 £000	2007 £000
Depreciation of owned fixed assets	9	27
Auditor's remuneration:		
Audit fees	4	4
Non-audit fees	2	2
Operating lease costs:		
Plant and equipment	1,796	1,013
Other	39	61
Net loss on foreign currency translation	<u>8</u>	<u>3</u>

4 **Directors and employees**

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

	2008	2007
	No	No
Number of management staff	5	5
Number of service staff	31	22
	<u>36</u>	<u>27</u>

The aggregate payroll costs of the above were:

	2008	2007
	£000	£000
Wages and salaries	1,350	1,017
Social security costs	161	125
Other pension costs	66	46
	<u>1,577</u>	<u>1,188</u>

5 **Directors**

Remuneration in respect of directors was as follows:

	2008	2007
	£000	£000
Emoluments receivable	400	250
Value of company pension contributions to money purchase schemes	28	14
	<u>428</u>	<u>264</u>

Emoluments of highest paid director:

	2008	2007
	£000	£000
Total emoluments (excluding pension contributions)	122	92
Value of company pension contributions to money purchase schemes	4	5
	<u>126</u>	<u>97</u>

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

	2008	2007
	No	No
Money purchase schemes	5	4

Share options have been issued to certain directors which will be satisfied from the existing share capital of the ultimate parent company. No directors exercised share options during the year (2007 - nil).

6 Interest receivable and similar income

	2008 £000	2007 £000
Bank interest receivable	14	–
Other similar income receivable	–	1
	<u>14</u>	<u>1</u>

7 Interest payable and similar charges

	2008 £000	2007 £000
Interest payable on bank borrowing	10	20
Other interest payable	2	18
	<u>12</u>	<u>38</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £000	2007 £000
Current tax:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	157	(1)
Over/under provision in prior year	-	(1)
Total current tax	<u>157</u>	<u>(2)</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 28% (2007 - 30%).

	2008 £000	2007 £000
Profit/(loss) on ordinary activities before taxation	<u>832</u>	<u>(346)</u>
Profit/(loss) on ordinary activities by rate of tax	233	(104)
Expenses not deductible for tax purposes	7	7
Capital allowances for period (in excess of)/less than depreciation	(3)	1
Losses carried forward	-	95
Over provision in prior years	-	(1)
Relief for losses brought forward	(90)	-
Increase in provisions	1	-
Change in rate of taxation	9	-
Total current tax (note 8(a))	<u>157</u>	<u>(2)</u>

9 Tangible fixed assets

	Plant & Machinery £000
Cost	
At 1 June 2007	292
Additions	5
At 31 May 2008	<u>297</u>
Depreciation	
At 1 June 2007	282
Charge for the year	9
At 31 May 2008	<u>291</u>
Net book value	
At 31 May 2008	<u>6</u>
At 31 May 2007	<u>10</u>

10 Debtors

	2008 £000	2007 £000
Trade debtors	895	497
Amounts owed by related undertakings	23	–
Amounts recoverable on contracts	859	754
Corporation tax repayable	–	1
Prepayments and accrued income	25	33
	<u>1,802</u>	<u>1,285</u>

11 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	953	883
Amounts owed to group undertakings	27	31
Corporation tax	156	–
Other taxation and social security	157	60
Other creditors	25	24
Amounts owed to related undertakings	130	422
Accruals and deferred income	864	542
	<u>2,312</u>	<u>1,962</u>

The bank overdraft facility is secured by cross guarantees from Churngold Remediation Holdings Limited and Churngold Construction 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 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land & Buildings £000	Other Items £000	Land & Buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	10	13	10	13
Within 2 to 5 years	28	81	28	51
	<u>38</u>	<u>94</u>	<u>38</u>	<u>64</u>

14 Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £189,000 within the group as at 31 May 2008 (2007 - £214,000). 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 and its immediate and ultimate parent undertaking in respect of bank borrowings.

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, 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
2008				
Churngold Construction Holdings Limited	1	—	1	—
Churngold Construction Limited	355	2,360	—	23
Churngold Recycling Limited	427	—	129	—
2007				
Churngold Construction Holdings Limited	1	—	—	—
Churngold Construction Limited	122	340	422	—
Churngold Recycling Limited	26	—	—	—
Churngold Surfacing Limited	—	5	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Share capital

Authorised share capital:

	2008	2007
	£000	£000
101,473 Ordinary shares of £1 each	<u>101</u>	<u>101</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£000	No	£000
Ordinary shares of £1 each	<u>15,823</u>	<u>16</u>	<u>15,823</u>	<u>16</u>

17 Profit and loss account

	2008	2007
	£000	£000
Balance brought forward	(633)	(289)
Profit/(loss) for the financial year	<u>675</u>	<u>(344)</u>
Balance carried forward	<u>42</u>	<u>(633)</u>

18 Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Profit/(Loss) for the financial year	<u>675</u>	(344)
Opening shareholders' equity deficit	<u>(617)</u>	<u>(273)</u>
Closing shareholders' equity funds/(deficit)	<u>58</u>	<u>(617)</u>

19 Capital commitments

The directors have confirmed that there were no capital commitments at 31 May 2008 or 31 May 2007.

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.