



Grant Thornton

Financial statements Churngold Remediation Limited

For the Year Ended 31 May 2009

Company No. 02761171

Company information

Company registration number	02761171
Registered office	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
Directors	B Foley (Managing 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

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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 2009.

Principal activities and business review

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

The business has undergone significant restructuring to stem the trading losses following the material reduction in turnover seen this year. The reduction in trading coupled with two loss making contracts has seen the business report a material and unsatisfactory trading loss.

Future developments

The company's breadth of remediation solutions continues to offer considerable potential for development and expansion. However, given the continuing uncertain economic conditions, particularly in the construction and housing industry, we expect the 2009 / 2010 earnings to continue to show some volatility.

The directors have prepared projected cash flow information which assumes a level of trading which will ensure the company continues to operate within a combination of its £500,000 overdraft facility (renewed in August 2009 for a period of 12 months) and financial support available from the Churngold Construction Holdings group. 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 loss for the year, after taxation, amounted to £735,000. The directors have not recommended a dividend.

Key performance indicators

		2009	2008	Change in the year
Financial metrics				
Revenue	£000	2,861	11,016	-74%
(Loss)/earnings before interest, tax, depreciation, amortisation and central management charges	£000	(855)	1,004	-185%
Average days turnover in amounts recoverable on contracts and trade debtors	Days	97	70	+27 days
People				
Staff as at 31 May	No	18	39	-54%

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 bank borrowing facilities of £500,000 made available until August 2010. 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
R McCabe

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

C A Sillars (Special Projects Director) resigned as a director on 30 January 2009

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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.

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

Grant Thornton UK 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 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD

R N Tredwin
Secretary
14 August 2009



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 2009 which comprise the profit and loss account, the balance sheet and the related notes. 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 members, as a body, in accordance with Section 495 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, 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 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/UKNP.

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 2009 and of its loss 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.

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

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.

James Morter
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Bristol
14 August 2009

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 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.

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	2009 £000	2008 £000
Turnover	1	2,861	11,016
Cost of sales		(2,453)	(8,839)
Gross profit		<u>408</u>	<u>2,177</u>
Other operating charges	2	(1,305)	(1,347)
Operating (loss)/profit	3	(897)	830
Interest receivable	6	8	14
Interest payable and similar charges	7	(4)	(12)
(Loss)/profit on ordinary activities before taxation		(893)	832
Tax on profit on ordinary activities	8	158	(157)
(Loss)/profit for the financial year	19	(735)	675

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	2009 £000	2008 £000
Fixed assets			
Tangible assets	9	<u>4</u>	<u>6</u>
Current assets			
Debtors	10	561	1,802
Cash at bank and in hand		<u>14</u>	<u>562</u>
		575	2,364
Creditors: amounts falling due within one year	11	<u>1,074</u>	<u>2,312</u>
Net current (liabilities)/assets		<u>(499)</u>	<u>52</u>
Total assets less current liabilities		<u>(495)</u>	<u>58</u>
Creditors: amounts falling due after more than one year	12	<u>182</u>	<u>-</u>
		<u>(677)</u>	<u>58</u>
Capital and reserves			
Called-up share capital	17	16	16
Profit and loss account	18	<u>(693)</u>	<u>42</u>
Shareholders' (deficit)/funds	19	<u>(677)</u>	<u>58</u>

These financial statements were approved by the directors on 14 August 2009 and are signed on their behalf by:

R N Tredwin
 Director

Notes to the financial statements

1 Turnover

The turnover and (loss)/profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2009	2008
	£000	£000
United Kingdom	2,861	11,016
	<u>2,861</u>	<u>11,016</u>

2 Other operating charges

	2009	2008
	£000	£000
Administrative expenses	1,305	1,347
	<u>1,305</u>	<u>1,347</u>

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2009	2008
	£000	£000
Depreciation of owned fixed assets	4	9
Auditor's remuneration:		
Audit fees	3	4
Non-audit fees	1	2
Operating lease costs:		
Plant and equipment	806	1,796
Other	52	39
Net (gain)/loss on foreign currency translation	(1)	8
	<u>(1)</u>	<u>8</u>

Liability Limitation Agreement with the auditor

The directors propose that the company enter into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 May 2009. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and will be proposed for approval at the forthcoming Annual General Meeting.

4 Directors and employees

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

	2009	2008
Number of management staff	5	5
Number of service staff	24	31
	<u>29</u>	<u>36</u>

The aggregate payroll costs of the above were:

	2009	2008
	£000	£000
Wages and salaries	1,030	1,350
Social security costs	123	161
Other pension costs	92	66
	<u>1,245</u>	<u>1,577</u>

5 Directors

Remuneration in respect of directors was as follows:

	2009	2008
	£000	£000
Emoluments receivable	295	400
Compensation for loss of office	18	-
Value of company pension contributions to money purchase schemes	55	28
	<u>368</u>	<u>428</u>

Emoluments of highest paid director:

	2009	2008
	£000	£000
Total emoluments (excluding pension contributions)	62	122
Value of company pension contributions to money purchase schemes	45	4
	<u>107</u>	<u>126</u>

5 Directors (continued)

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

	2009	2008
	No	No
Money purchase schemes	<u>5</u>	<u>5</u>

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 (2008 - nil).

6 Interest receivable

	2009	2008
	£000	£000
Bank interest receivable	<u>8</u>	<u>14</u>

7 Interest payable and similar charges

	2009	2008
	£000	£000
Interest payable on bank borrowing	2	10
Other interest payable	<u>2</u>	<u>2</u>
	<u>4</u>	<u>12</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2009	2008
	£ 000	£000
Current tax		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2008 - 28%)	(158)	157
(Over)/under provision in prior year	<u>-</u>	<u>-</u>
Total current tax	<u>(158)</u>	<u>157</u>

8 Taxation on ordinary activities (continued)

(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 28% (2008 - 28%).

	2009	2008
	£ 000	£000
(Loss)/profit on ordinary activities before taxation	(893)	832
(Loss)/profit on ordinary activities by rate of tax	(250)	233
Expenses not deductible for tax purposes	5	7
Capital allowances for period in excess of depreciation	(2)	(3)
Losses not utilised/(utilised)	(90)	(90)
Group relief surrendered	2	-
Payment for group relief	(2)	-
Increase in provisions	(1)	1
Change in rate of taxation	-	9
Total current tax (note 8(a))	(158)	157

9 Tangible fixed assets

	Plant & Machinery
	£000
Cost or valuation	
At 1 June 2008	297
Additions	2
Disposals	(1)
At 31 May 2009	<u>298</u>
Depreciation	
At 1 June 2008	291
Charge for the year	4
On disposals	(1)
At 31 May 2009	<u>294</u>
Net Book Value	
At 31 May 2009	<u>4</u>
At 31 May 2008	<u>6</u>

10 Debtors

	2009	2008
	£000	£000
Trade debtors	266	895
Amounts owed by related undertakings	34	23
Amounts recoverable on contracts	232	859
Amounts owed by group undertakings	19	-
Prepayments and accrued income	10	25
	<u>561</u>	<u>1,802</u>

11 Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	156	953
Amounts owed to group undertakings	-	27
Corporation tax	-	156
Other taxation and social security	76	157
Other creditors	24	25
Amounts owed to related undertakings	30	130
Accruals and deferred income	473	864
Bank overdraft	315	-
	1,074	2,312

The £500,000 bank overdraft facility is secured by cross guarantees from Churngold Remediation Holdings Limited and Churngold Construction Holdings Limited.

12 Creditors: amounts falling due after more than one year

	2009	2008
	£000	£000
Other creditors	182	-

13 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.

14 Leasing commitments

At 31 May 2009 the company had annual commitments under non-cancellable operating leases as set out below.

	2009		2008	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	15	41	10	13
Within 2 to 5 years	-	13	28	81
	15	54	38	94

15 Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £299,000 within the group as at 31 May 2009 (2008 - £189,000). The performance bond provider holds a letter of cross guarantee between the company, its parent undertaking and Churngold Construction Holdings Limited in respect of bank borrowing. 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.

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 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	Sales	Owed to	Owed by
	£000	£000	£000	£000
2009				
Churngold Construction Holdings Limited	-	7	-	3
Churngold Construction Limited	147	42	16	24
Churngold Surfacing Limited	-	5	-	1
Churngold Recycling Limited	116	15	14	6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2008				
Churngold Construction Holdings Limited	1	-	1	-
Churngold Construction Limited	355	2,360	-	23
Churngold Recycling Limited	427	-	129	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Share capital

Authorised share capital			2009	2008
			£000	£000
101,473 Ordinary shares of £1 each			101	101
			<hr/>	<hr/>
Allotted, called up and fully paid:		2009		2008
		No	£000	No
				£000
Ordinary shares of £1 each		15,823	16	15,823
		<hr/>	<hr/>	<hr/>

18 Profit and loss account

			2009	2008
			£ 000	£000
Balance brought forward			42	(633)
(Loss)/profit for the financial year			(735)	675
Balance carried forward			(693)	42
			<hr/>	<hr/>

19 Reconciliation of movements in shareholders' funds

			2009	2008
			£ 000	£000
(Loss)/profit for the financial year			(735)	675
Opening shareholders' funds			58	(617)
Closing shareholders' (deficit)/funds			(677)	58
			<hr/>	<hr/>

20 Capital commitments

The directors have confirmed that there were no capital commitments at 31 May 2009 or 31 May 2008.

21 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.