



Grant Thornton

Financial statements  
Churngold Remediation  
Limited

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**For the Year Ended 31 May 2010**

**Company No. 02761171**

## Company information

<b>Company registration number</b>	02761171
<b>Registered office</b>	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
<b>Directors</b>	A R Brown (Managing Director) H J Ventham (Environmental Director) R N Tredwin (Finance Director) R K McCabe (Director)
<b>Secretary</b>	R N Tredwin
<b>Bankers</b>	Lloyds TSB Bank plc 61 Gloucester Road Bristol BS34 5JH
<b>Solicitors</b>	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
<b>Auditor</b>	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 2010.

### Principal activities and business review

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

This year has seen a significant improvement in the trading results of the business following the restructuring undertaken last year.

### 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 assumes a level of trading which will ensure the company continues to operate within its £500,000 overdraft facility (renewed in August 2010 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 £217,000. The directors have not recommended a dividend.

### Key performance indicators

		2010	2009	Change in the year
<b>Financial metrics</b>				
Revenue	£000	2,823	2,861	(1%)
Profit/(loss) earnings before interest, tax, depreciation, amortisation and central management charges	£000	230	(855)	+£1,085k
Average days turnover in amounts recoverable on contracts and trade debtors	Days	92	97	5 days
<b>People</b>				
Staff as at 31 May	No	14	18	(22%)

## Report of the directors (continued)

### **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 2011. 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:

H J Ventham  
R N Tredwin  
R K McCabe  
A R Brown (appointed 1 October 2009)

R S Pollock resigned as a director on 25 May 2010.

B Foley resigned as a director on 31 August 2009.

## Report of the directors (continued)

### **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 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 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  
13 August 2010



## 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 2010 which comprise the principal accounting policies, 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 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 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 auditors**

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](http://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 2010 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.

# 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  
13 August 2010

## 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	2010 £000	2009 £000
Turnover	1	2,823	2,861
Cost of sales		(2,189)	(2,453)
Gross profit		634	408
Other operating charges	2	(412)	(1,305)
<b>Operating profit/(loss)</b>	3	222	(897)
Interest receivable	6	-	8
Interest payable and similar charges	7	(5)	(4)
<b>Profit/(loss) on ordinary activities before taxation</b>		217	(893)
Tax on profit/(loss) on ordinary activities	8	-	158
<b>Profit/(loss) for the financial year</b>	18	217	(735)

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	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	9	<u>1</u>	<u>4</u>
<b>Current assets</b>			
Debtors	10	853	561
Cash at bank and in hand		<u>68</u>	<u>14</u>
		921	575
<b>Creditors: amounts falling due within one year</b>	11	<u>1,200</u>	<u>1,074</u>
<b>Net current liabilities</b>		<u>(279)</u>	<u>(499)</u>
<b>Total assets less current liabilities</b>		<u>(278)</u>	<u>(495)</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>182</u>	<u>182</u>
		<u>(460)</u>	<u>(677)</u>
<b>Capital and reserves</b>			
Called-up share capital	17	16	16
Profit and loss account	18	<u>(476)</u>	<u>(693)</u>
<b>Shareholders' deficit</b>	19	<u>(460)</u>	<u>(677)</u>

These financial statements were approved by the directors on 13 August 2010 and are signed on their behalf by:

R N Tredwin  
 Director

Company number 02761171

## 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:

	2010	2009
	£000	£000
United Kingdom	2,823	2,861
	<u>2,823</u>	<u>2,861</u>

### **2 Other operating charges**

	2010	2009
	£000	£000
Administrative expenses	412	1,305
	<u>412</u>	<u>1,305</u>

### **3 Operating profit/(loss)**

Operating profit/(loss) is stated after charging:

	2010	2009
	£000	£000
Depreciation of owned fixed assets	3	4
Auditor's remuneration:		
Audit fees	3	3
Non-audit fees	1	1
Operating lease costs:		
Plant and equipment	452	806
Other	22	52
Net gain on foreign currency translation	<u>(8)</u>	<u>(1)</u>

**4 Directors and employees**

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

	<b>2010</b>	2009
Number of management staff	5	5
Number of service staff	<b>11</b>	24
	<u><b>16</b></u>	<u>29</u>

The aggregate payroll costs of the above were:

	<b>2010</b>	2009
	<b>£000</b>	£000
Wages and salaries	475	1,030
Social security costs	61	123
Other pension costs	8	92
	<u><b>544</b></u>	<u>1,245</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
Emoluments receivable	109	295
Compensation for loss of office	6	18
Value of company pension contributions to money purchase schemes	8	55
	<u><b>123</b></u>	<u>368</u>

Emoluments of highest paid director:

	<b>2010</b>	2009
	<b>£000</b>	£000
Total emoluments (excluding pension contributions)	57	62
Value of company pension contributions to money purchase schemes	-	45
	<u><b>57</b></u>	<u>107</u>

**5 Directors (continued)**

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

	2010	2009
	No	No
Money purchase schemes	<u>1</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 (2009 - nil).

**6 Interest receivable**

	2010	2009
	£000	£000
Bank interest receivable	<u>-</u>	<u>8</u>

**7 Interest payable and similar charges**

	2010	2009
	£000	£000
Interest payable on bank borrowing	5	2
Other interest payable	-	2
	<u>5</u>	<u>4</u>

**8 Taxation on ordinary activities**

(a) Analysis of charge in the year

	2010	2009
	£000	£000
<b>Current tax</b>		
In respect of the year:		
UK Corporation tax based on the results for the year at 21% (2009 - 28%)	-	(158)
(Over)/under provision in prior year	-	-
Total current tax	<u>-</u>	<u>(158)</u>

**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 21% (2009 - 28%).

	<b>2010</b>	2009
	<b>£000</b>	£000
Profit/(loss) on ordinary activities before taxation	<b>217</b>	(893)
Profit/(loss) on ordinary activities by rate of tax	<b>46</b>	(250)
Expenses not deductible for tax purposes	<b>1</b>	5
Capital allowances for period in excess of depreciation	<b>(1)</b>	(2)
Losses (utilised)/not utilised	<b>(57)</b>	90
Group relief surrendered	-	2
Payment for group relief	-	(2)
Increase in provisions	-	(1)
Other timing differences	<b>11</b>	-
Total current tax (note 8(a))	<b>-</b>	(158)

**9 Tangible fixed assets**

	Plant & Machinery £000
<b>Cost or valuation</b>	
At 1 June 2009	298
Additions	-
Disposals	-
At 31 May 2010	<u>298</u>
<b>Depreciation</b>	
At 1 June 2009	294
Charge for the year	3
On disposals	-
At 31 May 2010	<u>297</u>
<b>Net Book Value</b>	
At 31 May 2010	<u>1</u>
At 31 May 2009	<u>4</u>

**10 Debtors**

	2010 £000	2009 £000
Trade debtors	300	266
Amounts owed by related undertakings	76	34
Amounts recoverable on contracts	410	232
Amounts owed by group undertakings	55	19
Prepayments and accrued income	12	10
	<u>853</u>	<u>561</u>

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

	2010	2009
	£000	£000
Trade creditors	267	156
Other taxation and social security	70	76
Other creditors	24	24
Amounts owed to related undertakings	360	30
Accruals and deferred income	479	473
Bank overdraft	-	315
	<u>1,200</u>	<u>1,074</u>

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

**12 Creditors: amounts falling due after more than one year**

	2010	2009
	£000	£000
Other creditors	<u>182</u>	<u>182</u>

**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 2010 the company had annual commitments under non-cancellable operating leases as set out below.

	2010		2009	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	8	7	15	41
Within 2 to 5 years	-	-	-	13
	<u>8</u>	<u>7</u>	<u>15</u>	<u>54</u>

**15 Contingent liabilities**

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £100,000 as at 31 May 2010 (2009 - £299,000). 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.

**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, Churngold Recycling Limited and JWS Churngold Limited entities where J R Ancell is both a director and able to exercise control over more than 20% of the voting rights:

	<b>Purchases</b>	<b>Sales</b>	<b>Owed to</b>	<b>Owed by</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2010</b>				
<b>Churngold Construction Holdings Limited</b>	-	8	-	-
<b>Churngold Construction Limited</b>	172	80	271	25
<b>Churngold Surfacing Limited</b>	-	6	86	1
<b>Churngold Recycling Limited</b>	133	32	3	-
<b>JWS Churngold Limited</b>	-	50	-	50
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>2009</b>				
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
JWS Churngold Limited	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**17 Share capital**

Authorised share capital			<b>2010</b>	2009
			<b>£000</b>	£000
101,473 Ordinary shares of £1 each			<b>101</b>	101
			<hr/>	<hr/>
Allotted, called up and fully paid:				
			<b>2010</b>	2009
			No	£000
			No	£000
Ordinary shares of £1 each			<b>15,823</b>	<b>16</b>
			<hr/>	<hr/>
			<hr/>	<hr/>

**18 Profit and loss account**

			<b>2010</b>	2009
			<b>£000</b>	£000
Balance brought forward			<b>(693)</b>	42
Profit/(loss) for the financial year			<b>217</b>	(735)
Balance carried forward			<b>(476)</b>	(693)
			<hr/>	<hr/>

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

			<b>2010</b>	2009
			<b>£000</b>	£000
Profit/(loss) for the financial year			<b>217</b>	(735)
Opening shareholders' deficit			<b>(677)</b>	58
Closing shareholders' deficit			<b>(460)</b>	(677)
			<hr/>	<hr/>

**20 Capital commitments**

The directors have confirmed that there were no capital commitments at 31 May 2010 or 31 May 2009.

**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.