

Churngold Waste Management Limited

Report and Accounts

31 May 1998

Registered Number 2630920



Churngold Waste Management Limited

DIRECTORS

J R Henderson

J R Ancell

A J G Chater

G C Ballantyne (appointed 29 May 1998)

SECRETARY

P J Mitchell

AUDITORS

Ernst & Young

One Bridewell Street

Bristol

BS1 2AA

BANKERS

Lloyds Bank plc

61 Gloucester Road

Bristol

BS34 5JH

REGISTERED OFFICE

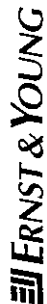
Northway

Gloucester Road North

Filton

Bristol

BS34 7QG

 ERNST & YOUNG

Churngold Waste Management Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 May 1998.

CHANGE OF NAME

On 10 June 1998 the company changed its name from Churngold (Waste Management) Limited to Churngold Waste Management Limited.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £65,000 (1997 - £268,000). The directors do not recommend the payment of a final dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of Churngold Waste Management Limited continued to be waste collection, materials recycling, remediation of contaminated sites and the operation of landfill sites for inert waste.

The year saw considerable development of the company and the directors consider the results satisfactory. During the year four acquisitions were completed, giving the company two new recycling depots with collection businesses (Somerset and Devon) and entry into the Bristol trade waste collection market. The company also commenced a mobile compaction vehicle waste collection service in Bristol.

The licence of the Bristol recycling centre was widened to include putrescible waste and the operation of the facility was disrupted as a roof over part of the operation was erected. A number of sales and development initiatives were instituted during the year and the company is well placed to enjoy further development.

FUTURE DEVELOPMENTS

The company's waste activities are seen as offering considerable potential for development with the key areas seen as material recycling, collection of industrial and commercial waste and contaminated site remediation. The development work undertaken in the year will provide a useful spring board to grow the company further.

DIRECTORS AND THEIR INTERESTS

The directors at 31 May 1998 are shown on page 2. None of the directors held an interest in the share capital of the company as at 31 May 1998.

The interests of J R Henderson, J R Ancell and A J G Chater in the ultimate parent undertaking, Churngold Holdings Limited, are shown in that company's accounts.

RECLASSIFICATION OF EXPENSES IN THE PRIOR YEAR

Certain expenses amounting to £371,000 have been reclassified from Administrative Expenses to Cost of Sales in the prior year to be consistent with the current year classification as the directors believe this to be a true reflection of the nature of these expenses.

DIRECTORS' REPORT

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

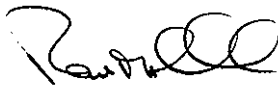
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

AUDITORS

A resolution to reappoint Ernst & Young as auditors of the company will be put to the members at the Annual General Meeting.

By order of the board



Secretary

Date 24-8-98

REPORT OF THE AUDITORS
to the members of Churngold Waste Management Limited

We have audited the accounts on pages 6 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

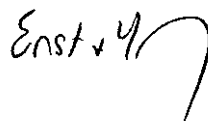
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 May 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Bristol

Date 26/8/98

Churngold Waste Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1998

	Notes	1998 £000	1998 £000	1997 £000
TURNOVER				
Continuing operations			3,407	2,926
Acquisitions			283	-
	2		<u>3,690</u>	<u>2,926</u>
Cost of sales			(2,772)	(2,222)
GROSS PROFIT			<u>918</u>	<u>704</u>
Administrative expenses			(733)	(280)
OPERATING PROFIT				
Continuing operations		194		424
Acquisitions		(9)		-
	3	<u>185</u>	<u>185</u>	<u>424</u>
Interest receivable			2	10
Interest payable	5		(47)	(41)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>140</u>	<u>393</u>
Tax on profit on ordinary activities	6		(75)	(125)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			<u>65</u>	<u>268</u>
Dividends	7		-	(100)
PROFIT RETAINED FOR THE FINANCIAL YEAR	16		<u><u>65</u></u>	<u><u>168</u></u>

Churngold Waste Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1998

	<i>Notes</i>	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
NOTE OF HISTORICAL COST PROFITS AND LOSSES			
Reported profit on ordinary activities before taxation		140	393
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		5	2
Historical cost profit on ordinary activities before taxation		<u>145</u>	<u>395</u>
Historical cost profit for the year retained after taxation and dividends		<u>70</u>	<u>170</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 May 1998

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Profit for the financial year	65	268
Unrealised surplus on revaluation of fixed assets	-	25
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>65</u>	<u>293</u>

Churngold Waste Management Limited

BALANCE SHEET

at 31 May 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	8	1,745	841
Investments	9	72	-
		<u>1,817</u>	<u>841</u>
CURRENT ASSETS			
Debtors	10	1,331	562
Cash at bank and in hand		-	85
		<u>1,331</u>	<u>647</u>
CREDITORS: amounts falling due within one year	11	(2,010)	(673)
NET CURRENT LIABILITIES		<u>(679)</u>	<u>(26)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,138</u>	<u>815</u>
CREDITORS: amounts falling due after more than one year	12	(563)	(168)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(171)	(212)
		<u>404</u>	<u>435</u>
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Revaluation reserve	16	20	25
Profit and loss account	16	382	408
TOTAL SHAREHOLDERS' FUNDS		<u>404</u>	<u>435</u>
Shareholders' funds are attributable to:			
Equity shareholders		404	433
Non-equity shareholders		-	2
		<u>404</u>	<u>435</u>

 Director

Date 24-8-98

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

1. ACCOUNTING POLICIES

Basis of preparation

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

Consolidation

The company has taken advantage of the exemption granted under Section 248 of the Companies Act 1985 not to prepare group accounts as it is a wholly owned subsidiary undertaking. Accordingly, these financial statements present information about the results of the company as an individual undertaking and not its group.

Goodwill

Goodwill arising on acquisition is written off directly to reserves.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Plant and machinery	over 3 to 7 years
Motor vehicles	over 4 to 7 years
Freehold buildings	over 10 years
Leasehold improvements	over period of lease

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company contributes to the personal pensions of certain employees. Contributions are charged in the profit and loss account as incurred.

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1998 £000	1997 £000
Auditors' remuneration	4	3
Depreciation of owned fixed assets	157	109
Depreciation of assets acquired under hire purchase contracts	112	124
Provision for permanent diminution in value of fixed assets	32	42
Profit on sale of tangible fixed assets	(4)	(56)
Operating lease rentals:		
- land and buildings	-	24
Reorganisation costs	67	9
Waiver of amount due from subsidiary undertaking	98	-
	<u>884</u>	<u>214</u>

4. STAFF COSTS

	1998 £000	1997 £000
Wages and salaries	812	195
Social security costs	71	19
Other pension costs	1	-
	<u>884</u>	<u>214</u>

The average monthly number of employees during the year was as follows:

	1998 No.	1997 No.
Waste services	52	11

With effect from 1 April 1997, and in accordance with directives issued by the Inland Revenue and Contributions Agency, the employment status of workers previously regarded as self employed was changed to that of employees. The total number at 31 May 1997 was 39.

5. INTEREST PAYABLE

	1998 £000	1997 £000
Bank loan, overdrafts and other loans	18	-
Finance charges under hire purchase contracts	29	41
	<u>47</u>	<u>41</u>

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
Based on the profit for the year:		
UK corporation tax at 31% (1997 - 32.7%)	75	124
Deferred taxation	-	1
	<u>75</u>	<u>125</u>

7. DIVIDENDS

	1998 £000	1997 £000
Equity dividends	-	100

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold improvements £000	Motor vehicles £000	Plant and machinery £000	Total £000
Cost or valuation:					
At 1 June 1997	-	-	238	700	938
Additions	347	85	374	411	1,217
Disposals	-	-	(6)	(9)	(15)
At 31 May 1998	<u>347</u>	<u>85</u>	<u>606</u>	<u>1,102</u>	<u>2,140</u>
Depreciation:					
At 1 June 1997	-	-	27	70	97
Permanent diminution in value	-	-	-	32	32
Provided during the year	3	3	101	162	269
Disposals	-	-	(1)	(2)	(3)
At 31 May 1998	<u>3</u>	<u>3</u>	<u>127</u>	<u>262</u>	<u>395</u>
Net book value:					
At 31 May 1998	<u>344</u>	<u>82</u>	<u>479</u>	<u>840</u>	<u>1,745</u>
At 1 June 1997	-	-	211	630	841

The net book value of fixed assets includes £589,000 (1997 - £555,000) in respect of assets held under hire purchase contracts.

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

8. TANGIBLE FIXED ASSETS (continued)

On the historical cost basis, fixed assets would have been included as follows:

	<i>Freehold land and buildings £000</i>	<i>Leasehold improvements £000</i>	<i>Motor vehicles £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost:					
At 1 June 1997	-	-	373	948	1,321
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 1998	347	85	730	1,349	2,511
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cumulative depreciation based on cost:					
At 1 June 1997	-	-	178	327	505
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 1998	3	3	263	517	786
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. INVESTMENTS

	<i>Subsidiary undertaking £000</i>
Cost:	
Additions	72
	<u> </u>
At 31 May 1998	72
	<u> </u>

Details of the investments in the subsidiary undertaking are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
City Reclamation Services Limited	England and Wales	Ordinary shares	100%	Waste services

On 22 April 1998 the company acquired 100% of the nominal share capital of City Reclamation Services Limited for a consideration of £55,000 satisfied by cash. On that date the trade and net assets of the company were transferred to the company.

During the year the company also purchased the trade and assets of three unincorporated businesses:

<i>Date of Purchase</i>	<i>Name of business</i>	<i>Nature of business</i>	<i>Place of business</i>
31 October 1997	J & R Citytrade	Waste services	Bristol
10 November 1997	J & L Cook Skip Hire	Waste services	Somerset
22 April 1998	Martins Skip Hire	Waste services	Devon

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

9. INVESTMENTS (continued)

Net assets at the dates of acquisition:

	<i>Fair value to the company £000</i>
Tangible fixed assets	571
Net assets	571
Goodwill arising on acquisition	96
	667
Discharged by:	
Cash	644
Costs associated with acquisition	23
	667

The post-acquisition results of the acquired undertakings are not considered to be material and consequently have not been separately disclosed.

10. DEBTORS

	<i>1998 £000</i>	<i>1997 £000</i>
Trade debtors	883	420
Amounts owed by group undertakings	282	40
Other debtors	4	13
Called up share capital not paid	2	2
Prepayments and accrued income	160	87
	1,331	562

11. CREDITORS: amounts falling due within one year

	<i>1998 £000</i>	<i>1997 £000</i>
Bank overdraft	49	-
Obligations under hire purchase contracts	206	161
Trade creditors	474	176
Current instalments due on loans (note 13)	49	-
Amounts owed to group undertakings	754	107
Corporation tax	84	73
Other taxes and social security costs	75	81
Accruals and deferred income	203	75
Other creditors	116	-
	2,010	673

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

12. CREDITORS: amounts falling due after more than one year

	1998 £000	1997 £000
Loans	431	-
Obligations under hire purchase contracts payable in two to five years	132	168
	<u>563</u>	<u>168</u>

13. LOANS

	1998 £000	1997 £000
Not wholly repayable within five years:		
£500,000 bank loan at base rate plus 2% per annum until 31 October 2007 repayable in quarterly instalments over ten years commencing 31 January 1998	485	-
Less unamortised issue costs	(5)	-
	<u>480</u>	<u>-</u>
Less amounts due within one year (note 11)	(49)	-
	<u>431</u>	<u>-</u>
Amounts due after more than one year (note 12)		

The bank loan is secured by a first legal charge over the company's property at Henstridge, Somerset.

	1998 £000	1997 £000
Amounts repayable:		
In one year or less	49	-
Between one and two years	49	-
Between two and give years	149	-
In five years or more	233	-
	<u>480</u>	<u>-</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Restoration provisions £000	Deferred tax £000	Total £000
At 1 June 1997	154	58	212
Transferred from subsidiary company	-	(20)	(20)
Utilised	(21)	-	(21)
	<u>133</u>	<u>38</u>	<u>171</u>
At 31 May 1998			

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

14. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation provided in the accounts and the amounts not provided are:

	<i>Provided</i>		<i>Not provided</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	53	52	-	-
Other timing differences	5	6	-	-
Trading losses carried forward	(20)	-	-	-
	<u>38</u>	<u>58</u>	<u>-</u>	<u>-</u>

15. SHARE CAPITAL

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Authorised:		
100,133 ordinary shares of £1 each	100	-
100,000 deferred shares of £1 each	-	100
99,570 'A' ordinary shares of 1FF each	-	13
430 'B' ordinary shares of 1FF each	-	-
	<u>100</u>	<u>113</u>
Allotted and called up:		
1,563 ordinary shares of £1 each	2	-
1,430 deferred shares of £1 each	-	2
Allotted, called up and fully paid	-	-
1,000 'A' ordinary shares of 1FF each	-	-
287 'B' ordinary shares of 1FF each	-	-
	<u>2</u>	<u>2</u>

On 29 May 1998 the shareholders approved a reorganisation of the share capital structure of the company so that it now comprises only ordinary shares.

The authorised share capital was increased to 100,133 ordinary shares of £1 each. The deferred shares of £1 each were converted to ordinary shares of £1 each and a further 133 ordinary shares were issued at par for cash. The proceeds from this issue were used to repurchase the 1,000 'A' ordinary shares of 1FF each and the 287 'B' ordinary shares of 1FF each which were subsequently cancelled.

Churngold Waste Management Limited

NOTES TO THE ACCOUNTS

at 31 May 1998

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total 1998</i>	<i>Total 1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 June	2	25	408	435	505
Retained profit for the year	-	-	65	65	168
Revaluation of fixed assets	-	-	-	-	27
Purchase of own shares	-	-	-	-	(265)
Write off goodwill arising on acquisition of unincorporated businesses	-	-	(96)	(96)	-
Transfer of revaluation element of depreciation charge	-	(5)	5	-	-
At 31 May	2	20	382	404	435

17. CONTINGENT LIABILITIES

The bank holds a letter of cross guarantee between the company and its ultimate parent undertaking.

There are contingent liabilities in respect of performance guarantees relating to the contracting business, entered into in the normal course of business, by a fellow subsidiary undertaking.

18. FINANCIAL COMMITMENTS

At 31 May 1998 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>
	<i>£000</i>
Operating leases which expire:	
After five years	18

19. 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 Holdings Limited group of companies.

20. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Churngold Holdings Limited. It has included the company in its group accounts, copies of which are available from its registered office.