

ERM LIMITED
(formerly ERM Plc)

Report and Accounts
31 March 2001

 ERNST & YOUNG



ERM Limited
(formerly ERM Plc)

Registered No 3128071

DIRECTORS

Gordon Ashworth	(resigned 14 January 2001)
Robin Bidwell	(resigned 1 May 2001)
Malcolm Hutton	(appointed 1 May 2001)
Philip Keller	(appointed 1 May 2001)
Carlo Marcoaldi	(resigned 1 May 2001)
Tassilo Metternich	(resigned 1 May 2001)
Chandran Nair	(resigned 1 May 2001)
Peter Regan	(resigned 1 May 2001)
Dan Sevick	(resigned 1 May 2001)
Paul Woodruff	(resigned 1 May 2001)

SECRETARY

Gordon Ashworth	(resigned 14 January 2001)
Catherine Reed	(appointed 14 January 2001)

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

Barclays Bank PLC
P O Box 544
54 Lombard Street
London EC3V 9EX

Bank of Scotland
Broad Street House
55 Old Broad Street
London EC2P 2HL

SOLICITORS

S J Berwin
222 Grays Inn Road
London WC1X 8HB

REGISTERED OFFICE

8 Cavendish Square
London W1M 0ER

DIRECTORS' REPORT

The directors present their report and accounts of the company for the year ended 31 March 2001.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,887 (2000 - loss £97,070). The directors do not recommend the payment of a dividend (2000 - £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

On 30 March 2001, 100% of the issued share capital of the company was purchased by ERM Holdings Limited. Thus, the company is now principally engaged as an intermediate group holding company.

DIRECTORS AND THEIR INTERESTS

The directors during the year and appointed subsequently are shown on page 1.

None of the directors had any interest in the shares of the company. The interests of the directors in the shares of *ERM Holdings Limited*, the ultimate parent undertaking, are shown in the accounts of that company.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



Secretary

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STATEMENT OF 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 its profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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 which 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.

REPORT OF THE AUDITORS
to the shareholders of ERM Limited
(formerly ERM Plc)

We have audited the accounts on pages 5 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

14 NOV 2001

ERM Limited
(formerly ERM Plc)

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2001

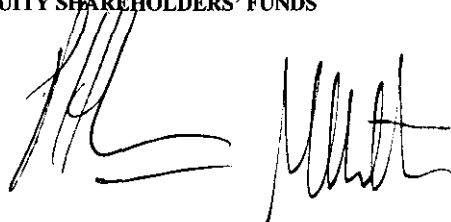
	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
Other operating charges		151	27,133
OPERATING LOSS	2	(151)	(27,133)
Net interest receivable/(payable)	4	3,038	(69,937)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,887	(97,070)
Taxation	5	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES FOR THE YEAR		2,887	(97,070)

The company has no recognised gains or losses other than those included above.

ERM Limited
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BALANCE SHEET
at 31 March 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Investments	6	14,407,364	152,302
CURRENT ASSETS			
Debtors	7	475,192	1,657,541
Cash at bank and in hand		9,070	-
		484,262	1,657,541
CREDITORS: amounts falling due within one year	8	(45,234)	(409,700)
NET CURRENT ASSETS		439,028	1,247,841
TOTAL ASSETS LESS CURRENT LIABILITIES		14,846,392	1,400,143
CAPITAL AND RESERVES			
Called up share capital	9	86,824	59,067
Share premium account	10	14,728,501	1,312,896
Profit and loss account	10	31,067	28,180
EQUITY SHAREHOLDERS' FUNDS	10	14,846,392	1,400,143

) Directors

14 NOV 2001

NOTES TO THE ACCOUNTS
at 31 March 2001

1. ACCOUNTING POLICIES

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

Cash flow

The company has taken advantage of the exemption in FRS 1 from producing a cash flow statement on the grounds that it is a wholly owned subsidiary and its results are included in the cash flow statement of ERM Holdings Limited, the ultimate parent company.

Basis of preparation

Following the acquisition of 100% of the issued share capital of ERM Limited by ERM Holdings Limited, the company is now included in the group accounts prepared by ERM Holdings Limited. The company has therefore taken advantage of the exemption provided by section 228 of the Companies Act 1985 not to prepare group accounts. As ERM Limited was the ultimate parent company prior to this acquisition, consolidated accounts were prepared as at 31 March 2000.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

The carrying values of investments are reviewed for impairments in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

2. OPERATING LOSS

This is stated after charging/(crediting):

	2001	2000
	£	£
Auditor's remuneration	-	5,000
(Profit)/loss on foreign exchange	(83)	1,261
	<u> </u>	<u> </u>

Audit fees for the current year were borne by another group company.

NOTES TO THE ACCOUNTS
at 31 March 2001

3. DIRECTORS' REMUNERATION

Total aggregate emoluments for directors during the year comprised £681,840 (2000 - £502,652). These emoluments were paid by the company's subsidiary undertakings.

The amounts in respect of the highest paid director are as follows:

	2001 £	2000 £
Emoluments	323,274	156,000
Group contributions paid to defined contribution pension schemes	34,052	5,000

4. NET INTEREST RECEIVABLE/(PAYABLE)

	2001 £	2000 £
Interest receivable:		
Bank interest	3,038	-
Interest payable:		
Interest on bank loans and overdrafts	-	(11,650)
Other	-	(58,287)
	-	(69,937)
Net interest receivable/(payable)	3,038	(69,937)

5. TAXATION

There is no taxation charge in either the current or previous year, due to the availability of losses.

6. INVESTMENTS

	Subsidiary undertakings £
Cost:	
At 1 April 2000	152,302
Additions	14,255,062
At 31 March 2001	14,407,364
Amounts provided:	
At 1 April 2000 and At 31 March 2001	-
Net book value:	
At 31 March 2001	14,407,364
At 1 April 2000	152,302

During the year, a 15% shareholding in ERM Japan KK, a 49% shareholding in ERM Brasil LTDA, and a 50.50% shareholding in Panzardi ERM Inc. were transferred to the company from other group subsidiaries for total cash consideration of £811,576.

NOTES TO THE ACCOUNTS
at 31 March 2001

6. INVESTMENTS (continued)

During the year, a 14% shareholding in ERM Asia Pacific Pty, an intermediate holding company, was acquired from minority shareholders for consideration of £96,563, which was paid in the form of 19,112 newly issued shares in ERM Limited, valued at £5.05 each.

On 30 March 2001, the company acquired various minority shareholdings in companies that were already part of the ERM Limited group. The total consideration of £13,346,923 was paid in the form of 536,021 newly issued shares in ERM Limited, valued at \$35.40 each.

The following is a list of the company's principal subsidiary undertakings and particulars of the shareholdings therein:

<i>Company name</i>	<i>Country of incorporation if not Great Britain</i>	<i>Class of shares</i>	<i>Proportion of shares</i>
ERM - Europe Limited		Ordinary	100%
ERM - Asia Pacific Holdings Limited		Ordinary	100%
ERM Japan KK	Japan	Ordinary	80%
Panzardi ERM Inc	Puerto Rico	Ordinary	50.5%
ERM Brasil LTDA	Brazil	Ordinary	49%

ERM Brasil LTDA is considered to be a subsidiary of the group as ERM Limited exerts dominant influence over the company.

For all subsidiary undertakings listed above, the country of operation is the same as the country of incorporation. The nature of the business of all of the company's principal subsidiaries is the provision of environmental, risk and health and safety consulting services, except for ERM - Europe Limited and ERM - Asia Pacific Holdings Limited which are intermediate holding companies.

7. DEBTORS

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Amounts owed by group undertakings	475,192	1,657,541

8. CREDITORS: amounts falling due within one year

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Bank loans and overdrafts	-	364,466
Other creditors	32,484	32,484
Accruals and deferred income	12,750	12,750
	45,234	409,700

The bank loans and overdrafts are secured by a charge over the assets of the subsidiary undertakings.

SHARE CAPITAL

		<i>Allotted, called up and fully paid</i>		
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of 5p each	1,736,475	1,181,342	86,824	59,067

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

11. ULTIMATE PARENT COMPANY

12. RELATED PARTY DISCLOSURES

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