

ERM Limited

Annual Report and Financial Statements

31 March 2007



Registered No 3128071

ERM Limited

Registered No 3128071

Directors

Andrew Silverbeck
Mark Pearson

Secretary

William Boyd

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

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

Solicitors

S J Berwin
222 Grays Inn Road
London
WC1X 8HB

Registered office

8 Cavendish Square
London
W1G 0ER

Directors' report

The directors present their annual report and financial statements of the company for the year ended 31 March 2007

Results and dividends

The loss for the year after taxation amounted to £499,243 (2006 - £1,493,761) The directors do not recommend payment of a dividend (2006 - £1,400,224)

Principal activity

The company is principally engaged as an intermediary group holding company and there is likely to be no change to the company's activity in future events

Directors and their interests

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

Philip Keller	(resigned 30 September 2006)
Liam Spring	(resigned 20 November 2006)
Andrew Silverbeck	(appointed 23 October 2006)
Mark Pearson	
Polly Gardiner	(appointed 20 November 2006)

Subsequent to year end the following director has resigned

Polly Gardiner	(resigned 31 May 2007)
----------------	------------------------

None of the directors had any interests in the shares of the company The interests of the directors in the shares of ERM Group Holdings Limited, the ultimate parent undertaking, are shown in the financial statements of that company

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed above Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Directors' report (continued)

Analysis of risk factors

The main risks arising from the company's financial instruments are foreign currency risk and interest rate risk. The board reviews policies for managing each of these risks and they are summarised as follows:

Foreign currency risk

The company operates in local currencies in its main operating jurisdictions. Transactions in other foreign currencies are recorded at the rate ruling at the date of transaction and outstanding balances are regularly revalued to reflect the prevailing rates of exchange.

Interest rate risk

The company borrows and / or lends in its base currency and pays and / or receives LIBOR floating rate interest on this amount. The current policy is not to hedge any of these transactions.

The company does not have a material exposure to investment risk.

Reappointment of auditors

In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board



Andrew Silverbeck
Finance Director

13 November 2007

Statement of 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 to 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.

Independent auditors' report

to the members of ERM Limited

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 12. 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 auditors' 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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.

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.

Independent auditors' report

to the members of ERM Limited (continued)

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 March 2007 and of the company's loss 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 Directors' Report is consistent with the financial statements



Ernst & Young LLP
Registered auditor
London

16 November 2007

Profit and loss account

for the year ended 31 March 2007

	Notes	2007 £	2006 £
Other operating income		46,810	13,681
Operating profit	2	46,810	13,681
Amounts written off investments		(174,775)	–
Net interest payable	4	(504,212)	(153,168)
Loss on ordinary activities before taxation		(632,177)	(139,487)
Tax on loss on ordinary activities	5	132,934	45,950
Loss for the financial year after taxation		(499,243)	(93,537)

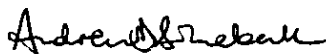
Statement of total recognised gains and losses

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

Balance sheet

at 31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Investments	6	19,534,078	17,950,910
Current assets			
Debtors	7	132,934	–
Cash at bank and in hand		–	9,149
		132,934	9,149
Creditors amounts falling due within one year	8	(5,339,807)	(3,133,611)
Net current liabilities		(5,206,873)	(3,124,462)
Total assets less current liabilities		14,327,205	14,826,448
Capital and reserves			
Called up share capital	9	86,824	86,824
Share premium account	10	14,728,501	14,728,501
Profit and loss account	10	(488,120)	11,123
Shareholders' funds	10	14,327,205	14,826,448



Andrew Silverbeck
Finance Director

13 November 2007

Notes to the financial statements

at 31 March 2007

1. Accounting policies

Basis of preparation

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

Going concern

The financial statements are prepared on a going concern basis as the parent undertaking has agreed to make adequate funds available to enable the company to meet its liabilities as they fall due

Statement of cash flows

The company has taken advantage of the exemption in FRS 1 from producing a statement of cash flows on the grounds that it is a wholly owned subsidiary which is included in the publicly available group financial statements of its ultimate parent company

Basis of consolidation

The company is a wholly owned subsidiary of ERM Group Holdings Limited and is included in the group financial statements prepared by that company. The company has therefore taken advantage of the exemption provided by section 228 of the Companies Act 1985 not to prepare group financial statements

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 fixed asset investments are reviewed for impairments if events or changes in circumstances indicate that the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 (included under operating income).

2. Operating profit

Operating profit includes mainly foreign exchange gains.

Audit fees are borne by another group company. There are no employees and other related staff costs.

Notes to the financial statements

at 31 March 2007

3. Directors' remuneration

Total aggregate emoluments for directors during the year comprised £nil (2006 - £nil)

4. Net interest payable

	2007 £	2006 £
Bank interest payable	3,549	1,846
Interest on amounts owed to group undertakings	500,663	151,322
	<u>504,212</u>	<u>153,168</u>

5. Taxation

(a) Analysis of the tax credit for the year

The tax credit based on the loss for the year comprises

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax credit for the period	(132,934)	(45,950)

(b) Factors affecting tax credit for the year

The tax assessed on the loss on ordinary activities for the year is lower than (2006 – higher than) the standard rate of corporation tax in the UK of 30% (2006 - 30%) The differences are explained below

	2007 £	2006 £
Loss on ordinary activities before tax	(632,177)	(139,487)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	(189,653)	(41,846)
<i>Effects of</i>		
Expenses not deductible for tax purposes	56,719	–
Brought forward losses utilised	–	(4,104)
Current tax for the year (note 5(a))	<u>(132,934)</u>	<u>(45,950)</u>

(c) Deferred tax

The company has an unrecognised deferred tax asset in respect of tax losses of £33,000 in the current year (2006 - £37,000) The deferred tax asset has not been recognised due to insufficient certainty as to the availability of sufficient and suitable taxable profits in the near future

Notes to the financial statements

at 31 March 2007

6. Investments

	<i>Subsidiary undertakings £</i>
Cost	
At 1 April 2006	17,950,910
Additions (Note (a))	
ERM Brazil Ltda	1,744,715
ERM China (Holdings) Ltd	2,673
ERM India Private Ltd	3,139
ERM Nihon KK	6,909
ERM Southern Africa (Proprietary) Ltd	507
	1,757,943
Amounts written off investments (Note (b))	
ERM Argentina SA	(174,775)
Change during the year	1,583,168
Net book value at 31 March 2007	19,534,078
Net book value at 1 April 2006	17,950,910

(a) During the year, the company acquired 20% share holding in ERM Brazil Ltda for a total cash consideration of US\$3,288,813 (£1,744,715) including expenses, taking the holding to 100% by ERM group as a whole (company share 50%)

(b) The carrying value of the investment in ERM Argentina SA was reviewed at the end of the financial year, which resulted in a provision for write down during the year of £174,775

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 held directly by company</i>
ERM Europe Limited	UK	Ordinary	100%
ERM Asia Pacific Holdings Limited	UK	Ordinary	100%
ERM Nihon KK	Japan	Ordinary	100%
ERM Puerto Rico Inc	Puerto Rico	Ordinary	99.5%
ERM Brazil Ltda	Brazil	Ordinary	50%
ERM Argentina SA	Argentina	Ordinary	100%

For all subsidiary undertakings listed above, the country of operation is the same as its 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

Notes to the financial statements

at 31 March 2007

7. Debtors

	2007 £	2006 £
Corporation tax	132,934	—

8. Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	4,532	—
Amounts owed to group undertakings	5,126,138	3,133,611
Accruals	209,137	—
	<u>5,339,807</u>	<u>3,133,611</u>

9. Share capital

	2007 £	Authorised 2006 £
Ordinary shares of 5p each	5,000,000	5,000,000

	Allotted, called up and fully paid	
	2007	2006
	No	No
	£	£
Ordinary shares of 5p each	1,736,475	86,824

10. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds £
At 1 April 2005	86,824	14,728,501	1,504,884	16,320,209
Retained loss for the year	—	—	(93,537)	(93,537)
Dividends paid	—	—	(1,400,224)	(1,400,224)
At 1 April 2006	86,824	14,728,501	11,123	14,826,448
Retained loss for the year	—	—	(499,243)	(499,243)
At 31 March 2007	<u>86,824</u>	<u>14,728,501</u>	<u>(488,120)</u>	<u>14,327,205</u>

Notes to the financial statements

at 31 March 2007

11. Related party disclosures

The company is a member of the ERM Group Holdings Limited group of companies. In accordance with the exemption conferred by FRS 8 the company has not disclosed transactions with other group undertakings.

12. Ultimate parent company and controlling party

The company's immediate parent company is ERM Holdings Limited.

The company's ultimate parent company and controlling party is ERM Group Holdings Limited. ERM Group Holdings Limited has included the company in its group financial statements, copies of which are available from its registered office, 8 Cavendish Square, London W1G 0ER.