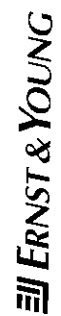


3128071

ERM Limited

Report and Financial Statements

31 March 2002

 ERNST & YOUNG



ERM Limited

Registered No. 3128071

DIRECTORS

Malcolm Hutton
Philip Keller

SECRETARY

Catherine Reed

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

SOLICITORS

S J Berwin
222 Grays Inn Road
London WC1X 8HB

REGISTERED OFFICE

8 Cavendish Square
London W1M 0ER

ERM Limited

DIRECTORS' REPORT

The directors present their report and financial statements of the company for the year ended 31 March 2002.

RESULTS AND DIVIDENDS

The loss for the year amounted to £14,466 (2001 - profit £2,887). The directors do not recommend the payment of a dividend (2001 - £nil).

PRINCIPAL ACTIVITY

The company is principally engaged as an intermediary group holding company.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

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

None of the directors had any interest in the shares of the company. The interests of Philip Keller, Robin Bidwell, Dan Sevick and Peter Regan in the shares of ERM Holdings Limited, the ultimate parent undertaking, are shown in the financial statements of that company. The interests of the other directors in the shares of the ultimate parent undertaking are shown below:

	<i>At 31 March 2002 Ordinary shares</i>	<i>At 1 April 2001 or subsequent date of appointment Ordinary shares</i>
Paul Woodruff	-	-
Carlo Marcoaldi	11,523	11,523
Tassilo Metternich	25,441	-
Chandran Nair	10,857	10,857
Malcolm Hutton	7,029	7,029

AUDITORS

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

29/1/03

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements 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 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 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 which disclose with reasonable accuracy at any time the financial position of the company and which 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.

REPORT OF THE INDEPENDENT AUDITORS to the members of ERM Limited

We have audited the company's financial statements for the year ended 31 March 2002, 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 on the basis of 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 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.

REPORT OF THE INDEPENDENT AUDITORS
to the members of ERM Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP

30/1/03

ERM Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2002

	<i>Notes</i>	2002 £	2001 £
Other operating charges		1,029	151
OPERATING LOSS	2	(1,029)	(151)
Net interest (payable)/receivable	4	(13,437)	3,038
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(14,466)	2,887
Taxation	5	-	-
(LOSS)/PROFIT FOR THE YEAR		(14,466)	2,887

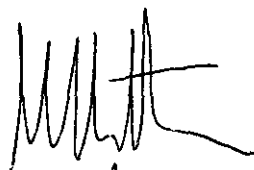
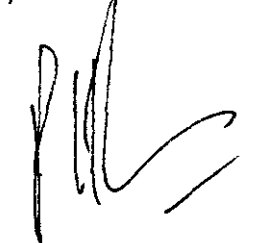
The company has no recognised gains or losses other than those included above.

ERM Limited

BALANCE SHEET

at 31 March 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Investments	6	15,877,824	14,407,364
CURRENT ASSETS			
Debtors	7	-	475,192
Cash at bank and in hand		16,447	9,070
		<u>16,447</u>	<u>484,262</u>
CREDITORS: amounts falling due within one year	8	(1,062,345)	(45,234)
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,045,898)</u>	<u>439,028</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,831,926</u>	<u>14,846,392</u>
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	16,601	31,067
EQUITY SHAREHOLDERS' FUNDS	10	<u>14,831,926</u>	<u>14,846,392</u>

)
) Directors

29/1/03

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

1. ACCOUNTING POLICIES

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

Cash flow statement

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 which is included in the publicly available group financial statements of its parent undertaking.

Basis of consolidation

The company is a wholly owned subsidiary of ERM 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 in periods 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 tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of overseas 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.

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2002

2. **OPERATING LOSS**

This is stated after charging/(crediting):

	2002	2001
	£	£
Loss/(profit) on foreign currencies	166	(83)
	<u> </u>	<u> </u>

Audit fees were borne by another group company.

3. **DIRECTORS' REMUNERATION**

Total aggregate emoluments for directors during the year comprised £nil (2001 - £323,274). These emoluments were paid by the company's subsidiary undertakings.

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

	2002	2001
	£	£
Emoluments	-	323,274
	<u> </u>	<u> </u>

4. **NET INTEREST (PAYABLE)/RECEIVABLE**

	2002	2001
	£	£
Interest receivable:		
Bank interest	-	3,038
Interest payable:		
Interest on amounts owed to group undertakings	(13,437)	-
	<u>(13,437)</u>	<u>3,038</u>
	<u> </u>	<u> </u>

5. **TAXATION**

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002	2001
	£	£
Current tax		
UK corporation tax	-	-
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

5. TAXATION (continued)

(b) Factors affecting tax charge for the year:

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 (30%). The differences are explained below:

	2002 £	2001 £
(Loss)/profit on ordinary activities before tax	(14,466)	2,887
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	(4,340)	866
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	150
Utilisation of tax losses	-	(1,016)
Losses arising in the year not relievable against current tax	4,340	-
Current tax for the year (note 5(a))	-	-

6. INVESTMENTS

	<i>Subsidiary undertakings</i> £
Cost:	
At 1 April 2001	14,407,364
Additions	1,470,460
	15,877,824
Net book value:	
At 31 March 2002	15,877,824
At 1 April 2001	14,407,364

During the year the company purchased a further 10% of ERM Brasil Ltda for £873,226 taking its total holding to 60%.

Also, the company injected further equity of £501,748 into ERM Argentina SA. The remaining £95,486 relates to shares in fellow group companies which were transferred to the company.

ERM Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

6. INVESTMENTS (continued)

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	Brasil	Ordinary	60%

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.

7. DEBTORS

	<i>2002 £</i>	<i>2001 £</i>
Amounts owed by group undertakings	-	475,192

8. CREDITORS: amounts falling due within one year

	<i>2002 £</i>	<i>2001 £</i>
Other creditors	4,824	32,484
Accruals and deferred income	12,750	12,750
Amounts owed to group undertakings	1,044,771	-
	<u>1,062,345</u>	<u>45,234</u>

9. SHARE CAPITAL

	<i>2002 No.</i>	<i>2001 No.</i>	<i>2002 £</i>	<i>2001 £</i>
Ordinary shares of 5p each	100,000,000	100,000,000	5,000,000	5,000,000
	<u>100,000,000</u>	<u>100,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
			<i>Allotted, called up and fully paid</i>	
	<i>2002 No.</i>	<i>2001 No.</i>	<i>2002 £</i>	<i>2001 £</i>
Ordinary shares of 5p each	1,736,475	1,736,475	86,824	86,824
	<u>1,736,475</u>	<u>1,736,475</u>	<u>86,824</u>	<u>86,824</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Share premium account £</i>	<i>Profit and loss account £</i>	<i>Total share- holders funds £</i>
At 1 April 2000	59,067	1,312,896	28,180	1,400,143
Issue of shares	27,757	13,415,605	-	13,443,362
Profit for the year	-	-	2,887	2,887
At 31 March 2001	86,824	14,728,501	31,067	14,846,392
Loss for the year	-	-	(14,466)	(14,466)
At 31 March 2002	86,824	14,728,501	16,601	14,831,926

11. ULTIMATE PARENT COMPANY

The ultimate parent company is ERM Holdings Limited. ERM Holdings Limited has included the company in its group financial statements, copies of which are available from its registered office: 8 Cavendish Square, London W1M 0ER.

12. RELATED PARTY DISCLOSURES

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