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NICHOLSON (SITE INVESTIGATION) LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD FROM

20 JUNE 1996

TO

24 DECEMBER 1997



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NICHOLSON (SITE INVESTIGATION) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

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NICHOLSON (SITE INVESTIGATION) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Scarrow
G T Brown
A H Moore

COMPANY SECRETARY

Mowlem Secretariat Limited

REGISTERED OFFICE

37 Stirling Road
Kilsyth
Glasgow
G65 0HW

AUDITORS

Brown Campbell & Company
Chartered Accountants
Registered Auditors
16 Great Stuart Street
Edinburgh EH3 7TN

BANKERS

The Royal Bank of Scotland plc
8 Hopetoun Street
Bathgate
West Lothian EH48 4EU

NICHOLSON (SITE INVESTIGATION) LIMITED

REPORT OF THE DIRECTORS

FOR THE PERIOD ENDED 24 DECEMBER 1997

The directors submit their report and financial statements for the period from 20 June 1996 to 24 December 1997.

ACQUISITION BY ENVIRONMENTAL SERVICES GROUP LIMITED AND CHANGE OF ACCOUNTING REFERENCE DATE

On 19 December 1997 the whole issued share capital of the company was acquired by Environmental Services Group Limited, a subsidiary of John Mowlem & Company plc.

On that date the directors resolved to change the company's accounting reference date to 19 December, thereby extending the accounting period to that date. The directors also resolved to take advantage of S223(3) Companies Act 1985 to extend the period by five days to 24 December 1997 and to prepare financial statements to that date.

RESULTS AND DIVIDENDS

The loss after tax for the period amounted to £472,167 (1996 profit £199) as shown on page 6.

The directors do not recommend the payment of a dividend and the loss after tax is therefore transferred to reserves.

REVIEW OF THE BUSINESS

The company is principally engaged in the business of mineral boring.

The company continued its recent growth despite increasing pressure on the margins achieved. The results were also affected by a number of exceptional charges detailed in the Notes to the Accounts.

POST BALANCE SHEET EVENTS

With effect from 1 January 1998 the company's business, assets and liabilities were transferred to Nicholson Site Investigation, a division of Environmental Services Group Limited.

NICHOLSON (SITE INVESTIGATION) LIMITED

REPORT OF THE DIRECTORS

FOR THE PERIOD ENDED 24 DECEMBER 1997

DIRECTORS

The directors during the period under review and the shares in the company in which they were beneficially interested were:

	<u>Ordinary shares of £1</u>	
	At 19 June 1996 or date of appointment	At 24 December 1997
A P Wotherspoon (resigned 19/12/97)	274	-
Mrs E F Williamson (resigned 19/12/97)	272	-
J Scarrow (appointed 19/12/97)	-	
G T Brown (appointed 19/12/97)	-	
A H Moore (appointed 19/12/97)	-	

AUDITORS

The auditors, Messrs Brown, Campbell & Company, have agreed to resign on completion of the current audit.

The directors have appointed KPMG Audit plc, Chartered Accountants and Registered Auditors, to succeed them and a resolution to approve their appointment will be made at the next annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board.



J Scarrow
Director

Date: 4.3.98

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 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.

AUDITORS' REPORT TO THE SHAREHOLDERS OF NICHOLSON (SITE INVESTIGATION)
LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors auditors

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 24 December 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Brown, Campbell & Co. C.A.

Brown, Campbell & Co
Chartered Accountants
Registered Auditors
16 Great Stuart Street
Edinburgh EH3 7TN

Date:- 11th March 1998

NICHOLSON (SITE INVESTIGATION) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

	<u>Notes</u>	20/06/96 to 24/12/97 £	Year to 19/06/96 £
TURNOVER - Discontinued operations	2	1,814,992	1,078,607
Cost of sales - Discontinued operations		(1,685,044)	(860,046)
Gross profit		129,948	218,561
Administrative expenses - Discontinued operations		(600,622)	(216,396)
OPERATING LOSS/PROFIT - Discontinued operations		(470,674)	2,165
Interest receivable		17,426	4,606
Interest payable	4	(18,919)	(4,078)
LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	5	(472,167)	2,693
Tax on loss/profit on ordinary activities	6	-	(2,494)
LOSS/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(472,167)	199
		=====	=====

The total recognised gains/losses for the period are the same as the reported loss.

The notes set out on pages 8 to 15 form an integral part
of these accounts

NICHOLSON (SITE INVESTIGATION) LIMITED

BALANCE SHEET

AS AT 24 DECEMBER 1997

	<u>Notes</u>	<u>£</u>	<u>24/12/97</u> <u>£</u>	<u>19/06/96</u> <u>£</u>
FIXED ASSETS				
Tangible assets	7		69,267	74,219
CURRENT ASSETS				
Stocks	8	4,757		76,000
Debtors	9	372,804		220,681
Cash at bank and in hand		17,183		597
		394,744		297,278
CREDITORS: Amounts falling due within one year	10	(819,798)		(255,117)
NET CURRENT ASSETS				
			(425,054)	42,161
TOTAL ASSETS LESS CURRENT LIABILITIES				
			(355,787)	116,380
PROVISION FOR LIABILITIES AND CHARGES				
	11		-	-
			(355,787)	116,380
			=====	=====
CAPITAL AND RESERVES				
Called up share capital	12		820	820
Capital reserve	13		167	167
Profit and loss account	13		(356,774)	115,393
			(355,787)	116,380
			=====	=====

Approved by the Board on

..... Director

..... Director

The notes set out on pages 8 to 15 form an integral
part of these accounts

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with statements of standard accounting practice issued by UK accountancy bodies. The particular accounting policies adopted are described below.

a. BASIS OF ACCOUNTING

These accounts have been prepared under the historical cost convention.

b. DEPRECIATION

Depreciation is provided on the cost or valuation of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:-

Freehold land and buildings	over 15 years, straight line
Plant and machinery	over 7 years, straight line
Office equipment	over 5 years, straight line
Furniture and fittings	over 5 years, straight line

c. STOCKS

Stocks are valued by the directors at the lower of cost and net realisable value.

Cost represents:

Consumables:- purchase price on a first in first out basis.

Work in progress:- direct materials and labour and appropriate production overheads.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

d. LEASES

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

e. DEFERRED TAXATION

Provision are made so that deferred taxation represents corporation tax, calculated on the liability method, in respect of accelerated capital allowances and other short term timing differences.

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

f. PENSIONS

The company operates a defined contribution scheme, the cost of which is written off to the profit and loss account on the accruals basis. The assets of the scheme are held separately from those of the company in an independently administered fund.

2. TURNOVER

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and for services provided as principal. Turnover and profit on ordinary activities before taxation are attributable to the company's principal activity, mineral boring.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	20/06/97 to 24/12/97 £	Year to 19/06/96 £
Employee costs during the period:-		
Wages and salaries	800,697	414,386
Social security costs	81,037	40,421
Other pension costs	366,381	5,000
	<hr/> 1,248,115 =====	<hr/> 459,807 =====
Average number of persons employed (including directors):	<u>No.</u>	<u>No.</u>
Administration	6	5
Mineral boring	21	21
Mechanical repairs	1	1
	<hr/> 28 =====	<hr/> 27 =====
	20/06/96 to 24/12/97 £	Year to 19/06/96 £
Directors' emoluments:		
Management remuneration	381,672 =====	84,417 =====
Remuneration of former Chairman and highest paid director	123,215 =====	55,417 =====
Remuneration of current chairman	-	-
Remuneration of current highest paid director	-	-
Scale of directors' remuneration:		
£ 0 - £ 5,000	3	-
£ 20,001 - £ 25,000	-	1
£ 35,001 - £ 40,000	1	-
£ 55,001 - £ 60,000	-	1
£120,001 - £125,000	1	-

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

4. INTEREST PAYABLE

Bank overdraft interest	18,919	4,078
	=====	=====

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Loss on ordinary activities before taxation is after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Own assets	12,513	8,656
Auditors remuneration - audit	6,000	6,650
- other services	9,590	-
	=====	=====

During the period the following exceptional bonus and pension payments were made and are included under the appropriate heading in the statutory profit and loss account.

Cost of sales:-	<u>£</u>	<u>£</u>
Bonus	53,333	-
Social security costs	5,333	-
Pension	145,924	-
	-----	-----
	204,590	-
	=====	=====

Administrative expenses:-

Bonus	33,333	-
Social security costs	3,333	-
Pension	191,457	-
	-----	-----
	228,123	-
	=====	=====

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
United Kingdom corporation tax at 31.5% (1996 - 25% and 24%) based on the adjusted profit for the period	-	2,494
Loss relief (see below)	-	-
Transfer to/(from) deferred taxation	-	-
	-----	-----
	-	2,494
	=====	=====

The company has estimated tax losses of £458,500 available to set against future trading profits. These have yet to be agreed with the Inland Revenue.

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

7. TANGIBLE FIXED ASSETS

	<u>Freehold Land & Buildings</u>	<u>Plant & Machinery</u>	<u>Office Equipment</u>	<u>Furniture & Fixtures</u>	<u>Total</u>
<u>COST</u>	£	£	£	£	£
At 20/6/96	102,773	13,257	6,624	9,113	131,767
Additions	-	1,932	5,037	592	7,561
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	102,773	15,189	11,661	9,705	139,328
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>AGGREGATE DEPRECIATION</u>					
At 20/6/96	35,825	11,387	4,635	5,701	57,548
Charge for the period	9,045	638	1,272	1,558	12,513
On disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	44,870	12,025	5,907	7,259	70,061
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>NET BOOK VALUE</u>					
At 26/12/97	57,903	3,164	5,754	2,446	69,267
	=====	=====	=====	=====	=====
At 19/06/96	66,948	1,870	1,989	3,412	74,219
	=====	=====	=====	=====	=====

8. STOCKS

	<u>1997</u> £	<u>1996</u> £
Consumables	2,857	-
Work in progress	1,900	76,000
	<hr/>	<hr/>
	4,757	76,000
	=====	=====

9. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade debtors	321,102	184,491
Amounts owed by parent and fellow subsidiary companies	31,733	-
Other debtors	3,183	2,401
Prepayments and accrued income	16,786	33,789
	<hr/>	<hr/>
	372,084	220,681
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

	<u>1997</u>	<u>1996</u>
10. <u>CREDITORS: Amounts falling due within one year</u>	<u>£</u>	<u>£</u>
Bank overdraft	-	71,409
Amount owed to parent and fellow subsidiary companies	742,607	-
Trade creditors	27,033	67,546
UK corporation tax	-	2,494
Other taxes and social security costs	33,260	42,084
Director's loan account	-	15,000
Other creditors	-	-
Accruals and deferred income	16,898	56,584
	<u>819,798</u>	<u>255,117</u>
	=====	=====

11. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	<u>Provided 1997</u>	<u>Unprovided 1997</u>	<u>Provided 1996</u>	<u>Unprovided 1996</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Corporation tax calculated in accordance with note 1 relating to: Accelerated capital allowances	-	440	-	(304)
Short term timing differences	-	-	-	208
Loss relief	-	(144,445)	-	-
	<u>-</u>	<u>(144,005)</u>	<u>-</u>	<u>(96)</u>
	=====	=====	=====	=====

12. CALLED UP SHARE CAPITAL

	<u>Number 1997</u>	<u>Value 1997</u>	<u>Number 1996</u>	<u>Value 1996</u>
		<u>£</u>		<u>£</u>
Authorised:				
Ordinary shares of £1 each	5,000	5,000	5,000	5,000
	=====	=====	=====	=====
Issued and fully paid:				
Ordinary share of £1 each	820	820	820	820
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

13. RESERVES

	<u>Profit & Loss Account</u> £	<u>Capital Reserve</u> £
Balance at 20 June 1996	115,393	167
Retained loss for the period	(472,167)	-
	<hr/>	<hr/>
Balance at 26 December 1997	356,774	167
	=====	=====

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>1997</u> £	<u>1996</u> £
Opening shareholders funds	116,380	116,181
Retained profit/(loss) for the financial period	(472,167)	199
	<hr/>	<hr/>
Closing shareholders funds	(355,787)	116,380
	=====	=====

15. CONTINGENT LIABILITIES

The company had guaranteed the overdraft facilities of Nicholson (Testing) Limited and Nicholson (Plant Hire) Limited with The Royal Bank of Scotland plc. At 24 December the potential liabilities under these guarantees were as follows:-

	<u>1997</u> £	<u>1996</u> £
Nicholson (Testing) Limited	-	5,450
Nicholson (Plant Hire) Limited	-	NIL
	=====	=====

Any liability arising under the above guarantees have been secured by a Bond and Floating Charge granted in favour of The Royal Bank of Scotland plc. This security was discharged on 23 January 1998.

16. OPERATING LEASE COMMITMENTS

At 19 June 1995 the company was committed to making the following payments during the next year in respect of operating leases.

	<u>Land & Buildings</u> £	<u>Other</u> £
Leases which expire:		
Within one year	-	-
Within 2 to 5 years	-	2,172
After 5 years	-	-
	<hr/>	<hr/>
	-	2,172
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

17. RELATED PARTY TRANSACTIONS

- a) During the period the company acquired goods and services from two related companies, Nicholson (Testing) Limited and Nicholson (Plant Hire) Limited. Until 19 December 1997 the shareholders of Nicholson (Site Investigation) Limited (the directors and Mr J Wotherspoon) controlled the whole share capital of these two related companies and the management of Nicholson (Site Investigation) Limited controlled their operating policies. The details of the transactions during the period are as follows:-

Nicholson (Testing) Limited

This company operates from the premises owned by Nicholson (Site Investigation) Limited and provides the latter with earth sample testing services on an exclusive basis.

Nicholson (Testing) Limited charges for its services and in addition reimburses Nicholson (Site Investigation) Limited with a share of the establishment costs.

The total value of the services provided by Nicholson (Testing) Limited during the period totalled £165,370. In addition it reimbursed to Nicholson (Site Investigation) Limited £5,072 in respect of establishment costs.

Nicholson (Plant Hire) Limited

This company operates from the premises owned by Nicholson (Site Investigation) Limited and leases plant and machinery to that company. There are no formal lease agreements and accordingly the equipment may be returned at any time. Nicholson (Plant Hire) Limited also reimburses Nicholson (Site Investigation) Limited for part of the rates levied on the property.

The total leasing charge for the period to Nicholson (Site Investigation) Limited totalled £251,001. In addition it reimbursed the latter with £4,581 in respect of rates.

- b) During the period the following contributions to the Nicholson (Site Investigation) Limited Retirement Benefit Scheme were either made or provided:-

	<u>£</u>
Regular contributions	29,000
Special contributions	237,381
	<hr/>
	266,381
	=====

The beneficiaries of this Scheme are A P Wotherspoon, a director of the company until 19 December 1997, and his wife, Mrs E Wotherspoon, an employee.

NOTES TO THE ACCOUNTS

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

- c) During the period the company provided for the following contributions to a Funded Unapproved Retirement Benefit Scheme in respect of the following individuals:-

	<u>£</u>
A P Wotherspoon	
(director until 19 December 1997)	50,000
Mrs E Wotherspoon	50,000
	<hr/>
	100,000
	=====

18. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of John Mowlem and Company plc, a company registered in England and Wales.

19. POST BALANCE SHEET EVENTS

With effect from 1 January 1998 the company's business, assets and liabilities were transferred to Nicholson Site Investigation, a division of Environmental Services Group Limited.

NICHOLSON (SITE INVESTIGATION) LIMITED

TRADING PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

	<u>1997</u> £	<u>1996</u> £
<u>TURNOVER</u>		
Work done	1,814,992	1,078,607
<u>COST OF SALES</u>		
Opening work in progress	76,000	94,500
Direct expenses	150,314	106,612
Plant hire - associated companies	251,001	164,134
- others	31,480	13,308
Subcontract - associated companies	165,370	121,930
- others	155,057	62,829
Wages	647,312	340,386
Social security costs	64,486	32,347
Pension costs	145,924	-
Closing work in progress	(1,900)	(76,000)
	<u>1,685,044</u>	<u>860,046</u>
GROSS PROFIT (7.16% 1996 20.26%)	<u>129,948</u>	<u>218,561</u>
ADMINISTRATIVE EXPENSES (Page 15)	(600,622)	(216,396)
INTEREST RECEIVABLE	17,426	4,606
<u>INTEREST PAYABLE</u>		
Bank overdraft interest payable	(18,919)	(4,078)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	<u>(472,167)</u> =====	<u>2,693</u> =====

NICHOLSON (SITE INVESTIGATION) LIMITED

SCHEDULE TO TRADING PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 20 JUNE 1996 TO 24 DECEMBER 1997

	£	<u>1997</u> £	<u>1996</u> £
<u>ADMINISTRATIVE EXPENSES</u>			
Directors' remuneration:			
Mrs E F Williamson	38,000		24,000
A P Wotherspoon	113,690		50,000
Social security costs	16,382		8,074
Pension costs	220,457		5,000
		388,529	87,074
Management remuneration		1,865	-
Rates		4,934	3,185
Insurance		17,731	10,570
Light and heat		3,140	2,297
Telephone, postage, stationery and advertising		22,097	14,989
Motor expenses		82,099	53,707
Travelling and subsistence		8,536	1,915
Repairs and renewals		10,228	6,486
Subscriptions and donations		1,009	521
Entertainment		1,133	585
Bad debts		11,424	4,940
Legal and professional fees		4,928	3,900
Audit & accountancy fees		15,590	6,650
Depreciation		12,513	8,656
Bank charges		2,420	1,202
Office equipment hire		7,294	3,039
Sundries		5,152	6,680
		600,622	216,396
		=====	=====