



Grant Thornton

Financial statements  
Churngold Recycling  
Limited

---

**For the Year Ended 31 May 2008**

**Company No. 4739487**

## Company information

Company registration number	4739487
Registered office	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
Directors	J R Ancell (Chairman) J D Barcham (Managing Director) R N Tredwin (Financial Director)
Secretary	R N Tredwin
Bankers	Bank of Scotland 21 Prince Street Bristol BS99 7JG
Solicitors	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Hartwell House 55-61 Victoria Street Bristol BS1 6FT

# Index

Report of the directors	3 - 6
Report of the independent auditor	7 - 8
Principal accounting policies	9 - 11
Profit and loss account	12
Balance sheet	13
Cash flow statement	14
Other primary statements	15
Notes to the financial statements	16 - 27

## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2008.

### Principal activities and business review

The principal activities of the company continue to be the supply of tipper lorries and plant, the operation of inert landfill sites and waste and recycling activities.

Continued investment has been made into the 4 acre freehold yard in Avonmouth, now supported by a waste environmental permit, exemption from environmental permitting for crushing and screening hardcore, processing waste materials and non hazardous soils.

This year has seen further significant growth throughout our core business with improved operating margins and cash generation across all business streams, from a long standing, solid, high quality and growing customer base.

Continued investment into health and safety, training, people and capital continues to strengthen and support growth in the business, as demonstrated by this years result.

The joint venture with Tarmac, Tarmac and Churngold Recycled Aggregates Limited is trading in line with expectations and continues to benefit from the reduced cost base brought about by the move to freehold premises.

### Future developments

The business has established a strong and solid platform from which to grow, with the company's waste and recycling activities, permitted transfer station and significant inert landfill tipping void seen as offering considerable potential for development and expansion.

The improved liquidity position and strengthened balance sheet leaves the company in a strong position to handle and positively react to the challenging economic conditions that the Construction Industry may face during 2008 / 2009.

## Results and dividends

The profit for the year, after taxation, amounted to £879,000. Particulars of dividends proposed are detailed in note 9 to the financial statements.

## Key performance indicators

		2008	2007	Change in the year
<b>Financial metrics</b>				
Revenue	£000	15,748	11,070	+ 42%
Earnings before interest, tax, depreciation, amortisation and central management charges	£000	2,225	1,426	+ 56%
Average debtor days	Days	58	61	- 3
<b>People</b>				
Staff as at 31 May	No	79	66	+ 20%
<b>Vehicles</b>				
HGV tipper and waste lorries	No	44	39	+ 13%
<b>Controlled void (inert) consented</b>	m3	797,000	920,000	- 13%
<b>Controlled void (inert) unconsented</b>	m3	688,000	435,000	+ 58%
	m3	<u>1,485,000</u>	<u>1,355,000</u>	+ 10%

## Funding and risk management objectives and policies

The main risks arising are liquidity, credit, interest rate and environmental risks. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

### Liquidity

The company uses loan stock funds provided by the Directors, hire purchase facilities provided by a selection of major high street lenders and overdraft facilities provided by Bank of Scotland to fund the business. At the year end the company has access to undrawn committed borrowing facilities of £825,000. The maturity profile of committed banking facilities is regularly reviewed and such facilities are extended or replaced well in advance of their expiry. The company does not enter into speculative financial transactions and uses financial instruments (e.g. Trade Credit Insurance) for certain risk management purposes.

### **Credit Risk**

The company's principal financial assets are cash and trade debtors. The company limits deposits to short term deposits with its bankers. The principal credit risk arises therefore from its debtors. In order to manage this risk, larger customer accounts are credit insured.

The remaining credit risks are assessed through a mixture of payment history, third party credit references and an internet based credit system. Credit limits are regularly reviewed by the credit controller in conjunction with debt ageing and collection history.

### **Interest Rate Risk**

The company reduces exposure to interest rates through a mixture of fixed rate loan stock and hire purchase contracts and variable rate interest rates for the overdraft facilities. The mortgage loan interest rate is hedged for periods of between 3 and 12 months.

### **Environmental Risk**

The business operates in an area where environmental regulation is constantly changing. In addition to the wealth of experience within the company, third party qualified advisers are utilised for chemical testing, planning submissions, Health and Safety and licence/exemption applications to ensure that risks are controlled.

### **Directors**

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

J R Ancell  
J D Barcham  
R N Tredwin  
J R Henderson (Resigned as a director on 1 June 2007).

### **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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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;
- 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 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

R N Tredwin  
Secretary  
22 August 2008



## Report of the independent auditor to the members of Churngold Recycling Limited

We have audited the financial statements of Churngold Recycling Limited for the year ended 31 May 2008 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement, statement of total recognised gains and losses and notes 1 to 28. 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 auditor's 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of 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.

## Report of the independent auditor to the members of Churngold Recycling Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2008 and of its profit 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 Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

**Bristol**  
**22 August 2008**

## Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable UK accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year.

### Turnover

Turnover is the total amount receivable for goods and services provided, net of VAT and trade discounts.

### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Freehold Property	-	over 40 years (straight line)
Plant & Machinery	-	over 1 to 7 years (straight line)
Motor Vehicles	-	over 4 to 6 years (straight line)
Leasehold Improvements	-	over the life of the lease (straight line)

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability. The interest element represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the agreement.

### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the capital element which reduces the outstanding obligation for future instalments, and the finance element, which represents a constant proportion of the outstanding obligation for future instalments and is charged to the profit and loss account over the period of the lease.

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### Pension costs

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

### Deferred taxation

Deferred tax is recognised in respect of all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

## Share based payment

### Equity-settled share-based payment

All material share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "other reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

In the opinion of the directors the potential charge arising under FRS 20 is not material to these financial statements so no charge has been recognised

## Joint ventures

In the opinion of the directors, the company would be exempt from preparing consolidated financial statements if it had subsidiary undertakings, and has therefore included the joint venture at cost, less amounts written off in accordance with FRS 9.

## Government grants

Government grants in respect of capital expenditure are credited to provisions for liabilities and other charges and released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

## Profit and loss account

	<b>Note</b>	<b>2008 £000</b>	2007 £000
Turnover	1	<b>15,748</b>	11,070
Cost of sales		<b>(12,557)</b>	(8,979)
Gross profit		<b>3,191</b>	2,091
Other operating charges	2	<b>(1,775)</b>	(1,316)
<b>Operating profit</b>	3	<b>1,416</b>	775
Interest receivable	6	<b>25</b>	4
Interest payable and similar charges	7	<b>(199)</b>	(175)
<b>Profit on ordinary activities before taxation</b>		<b>1,242</b>	604
Tax on profit on ordinary activities	8	<b>(363)</b>	(184)
<b>Profit for the financial year</b>	25	<b>879</b>	420

All of the activities of the company are classed as continuing.

## Balance sheet

	<b>Note</b>	<b>2008</b> <b>£000</b>	2007 £000
<b>Fixed assets</b>			
Tangible assets	10	<b>4,130</b>	3,316
Investments	11	<b>12</b>	12
		<u><b>4,142</b></u>	<u>3,328</u>
<b>Current assets</b>			
Debtors	12	<b>4,227</b>	2,544
Cash at bank and in hand		<b>1,344</b>	–
		<u><b>5,571</b></u>	<u>2,544</u>
<b>Creditors: amounts falling due within one year</b>	13	<b>5,812</b>	3,198
<b>Net current liabilities</b>		<u><b>(241)</b></u>	<u>(654)</u>
<b>Total assets less current liabilities</b>		<u><b>3,901</b></u>	<u>2,674</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>2,050</b>	1,581
		<u><b>1,851</b></u>	<u>1,093</u>
<b>Provisions for liabilities</b>			
Deferred taxation	18	<b>82</b>	38
Government grants	19	<b>22</b>	37
		<u><b>1,747</b></u>	<u>1,018</u>
<b>Capital and reserves</b>			
Share capital	23	–	–
Revaluation reserve	24	<b>278</b>	278
Profit and loss account	25	<b>1,469</b>	740
<b>Shareholders' funds</b>	26	<u><b>1,747</b></u>	<u>1,018</u>

These financial statements were approved by the directors on 22 August 2008 and are signed on their behalf by:

J R Ancell  
 Chairman

## Cash flow statement

	<b>Note</b>	<b>2008</b> <b>£000</b>	2007 £000
<b>Net cash inflow from operating activities</b>	27	<b>2,700</b>	1,256
<b>Returns on investments and servicing of finance</b>	27	<b>(164)</b>	(211)
<b>Taxation</b>	27	<b>(304)</b>	(134)
<b>Capital expenditure and financial investment</b>	27	<b>(112)</b>	(208)
<b>Cash inflow before financing</b>		<b>2,120</b>	703
<b>Financing</b>	27	<b>(765)</b>	(827)
<b>Increase/(decrease) in cash</b>	27	<b>1,355</b>	(124)

The accompanying accounting policies and notes form part of these financial statements.

## Other primary statements

### Statement of total recognised gains and losses

	<b>2008</b>	2007
	<b>£000</b>	£000
<b>Profit for the financial year</b>	<b>879</b>	420
Unrealised profit on revaluation of certain fixed assets	–	152
<b>Total gains and losses recognised for the year</b>	<b>879</b>	572

## Notes to the financial statements

### 1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.  
 An analysis of turnover is given below:

	<b>2008</b> <b>£000</b>	2007 £000
United Kingdom	<u>15,748</u>	<u>11,070</u>

### 2 Other operating charges

	<b>2008</b> <b>£000</b>	2007 £000
Administrative expenses	<u>1,775</u>	<u>1,316</u>

### 3 Operating profit

Operating profit is stated after charging/(crediting):

	<b>2008</b> <b>£ 000</b>	2007 £000
Amortisation of government grants re fixed assets	(15)	(14)
Depreciation of owned fixed assets	150	234
Depreciation of assets held under hire purchase agreements	459	303
Profit on disposal of fixed assets	(91)	(13)
Auditor's remuneration:		
Audit fees	4	4
Non-audit fees	2	2
Operating lease costs:		
Plant and equipment	206	368
Other	<u>183</u>	<u>126</u>

4 **Directors and employees**

The average number of staff employed by the company during the financial year amounted to:

	<b>2008</b>	2007
	<b>No</b>	No
Administration and managerial	15	13
Operatives	58	47
	<u>73</u>	<u>60</u>

The aggregate payroll costs of the above were:

	<b>2008</b>	2007
	<b>£000</b>	£000
Wages and salaries	2,146	1,606
Social security costs	190	146
Other pension costs	57	48
	<u>2,393</u>	<u>1,800</u>

5 **Directors**

Remuneration in respect of directors was as follows:

	<b>2008</b>	2007
	<b>£000</b>	£000
Emoluments receivable	287	136
Value of company pension contributions to money purchase schemes	41	35
	<u>328</u>	<u>171</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	<b>2008</b>	2007
	<b>No</b>	No
Money purchase schemes	<u>1</u>	<u>1</u>

Share options have been issued to certain directors which will be satisfied from existing share capital. One director exercised share options during the year (2007 - one).

6 **Interest receivable**

	<b>2008</b>	2007
	<b>£000</b>	£000
Bank interest receivable	21	–
Interest receivable from related undertakings	4	4
	<u>25</u>	<u>4</u>

7 Interest payable and similar charges

	<b>2008</b>	2007
	<b>£000</b>	£000
Interest payable on bank borrowing	95	105
Loan stock interest	-	26
Finance charges payable under hire purchase agreements	89	44
Interest payable to related undertakings	15	-
	<u>199</u>	<u>175</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	<b>2008</b>	2007
	<b>£000</b>	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	319	201
(Over)/under provision in prior year	-	(2)
Total current tax	<u>319</u>	<u>199</u>
Deferred tax:		
Origination and reversal of timing differences (note 18)	44	(15)
Tax on profit on ordinary activities	<u>363</u>	<u>184</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2007 - 30%).

	<b>2008</b>	2007
	<b>£000</b>	£000
Profit on ordinary activities before taxation	<u>1,242</u>	<u>604</u>
Profit on ordinary activities by rate of tax	348	181
Expenses not deductible for tax purposes	(6)	5
Capital allowances for period (in excess of)/less than depreciation	(41)	15
(Over)/Underprovision in respect of prior years	-	(2)
Change in rate of taxation	18	-
Total current tax (note 8(a))	<u>319</u>	<u>199</u>

9 Dividends

**Dividends on shares classed as equity**

	<b>2008</b>	2007
	<b>£000</b>	£000
Proposed at the year-end (recognised as a liability):		
Equity dividends on ordinary shares	<b>150</b>	–

10 Tangible fixed assets

	<b>Freehold Land &amp; Buildings £000</b>	<b>Plant &amp; Machinery £000</b>	<b>Motor Vehicles £000</b>	<b>Leasehold Improvements £000</b>	<b>Total £000</b>
Cost or valuation					
At 1 June 2007	1,900	1,103	1,736	21	4,760
Additions	20	497	953	–	1,470
Disposals	–	(153)	(108)	–	(261)
At 31 May 2008	<u>1,920</u>	<u>1,447</u>	<u>2,581</u>	<u>21</u>	<u>5,969</u>
Depreciation					
At 1 June 2007	–	517	906	21	1,444
Charge for the year	20	204	385	–	609
On disposals	–	(106)	(108)	–	(214)
At 31 May 2008	<u>20</u>	<u>615</u>	<u>1,183</u>	<u>21</u>	<u>1,839</u>
Net book value					
At 31 May 2008	<u><b>1,900</b></u>	<u><b>832</b></u>	<u><b>1,398</b></u>	<u><b>–</b></u>	<u><b>4,130</b></u>
At 31 May 2007	<u>1,900</u>	<u>586</u>	<u>830</u>	<u>–</u>	<u>3,316</u>

Included within the net book value of £4,130,000 is £1,779,000 (2007 - £1,147,000) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £459,000 (2007 - £303,000).

The freehold property was revalued on 31st May 2007 by CB Richard Ellis Limited. The basis of the valuation used was existing use. The surplus has been transferred to the revaluation reserve.

The effect of the revaluation has been to increase the depreciation charge by £nil. If the freehold property had not been revalued, it would have been included on the historical cost basis at £1,622,000.

The directors consider that, were the property to be sold for its net book value, tax of £77,000 would be payable.

11 Investments

**Joint venture**

	<b>£000</b>
Cost	
At 1 June 2007 and 31 May 2008	<u>12</u>
Net book value	
At 31 May 2008	<u>12</u>
At 31 May 2007	<u>12</u>

The investment, a joint venture, represents a 50% stake in Tarmac and Churngold Recycled Aggregates Limited, a company registered in England and Wales and engaged in recycled aggregates. At 31 December 2007, based on unaudited accounts, Tarmac and Churngold Recycled Aggregates Limited generated a retained profit for the 18 months then ended of £35,107 and had net assets of £41,999.

12 Debtors

	<b>2008</b>	2007
	<b>£000</b>	£000
Trade debtors	<b>3,392</b>	1,953
Amounts owed by related undertakings	<b>448</b>	456
Other debtors	<b>47</b>	40
Prepayments and accrued income	<b>340</b>	95
	<u><b>4,227</b></u>	<u>2,544</u>

Included in amounts owed by related undertakings is £55,000 (2007 - £28,000) due after more than one year.

13 Creditors: amounts falling due within one year

	<b>2008</b>	2007
	<b>£000</b>	£000
Loan notes	–	320
Bank loans and overdrafts	<b>60</b>	71
Trade creditors	<b>2,375</b>	1,496
Corporation tax	<b>159</b>	144
Other taxation and social security	<b>381</b>	155
Amounts due under hire purchase agreements	<b>499</b>	313
Proposed dividends	<b>150</b>	–
Amounts owed to related undertakings	<b>137</b>	11
Accruals and deferred income	<b>2,051</b>	688
	<u><b>5,812</b></u>	<u>3,198</u>

14 Creditors: amounts falling due after more than one year

	<b>2008</b>	2007
	<b>£000</b>	£000
Bank loans	<b>990</b>	1,050
Amounts due under hire purchase agreements	<b>865</b>	456
Other loans	<b>75</b>	75
Amounts owed to related undertakings	<b>120</b>	–
	<b><u>2,050</u></b>	<u>1,581</u>

15 Loans

Creditors include finance capital which is due for repayment as follows:

	<b>2008</b>	2007
	<b>£000</b>	£000
Amounts repayable:		
In one year or less or on demand	<b>180</b>	380
In more than one year but not more than two years	<b>100</b>	60
In more than two years but not more than five years	<b>260</b>	180
In more than five years	<b>750</b>	810
	<b><u>1,290</u></b>	<u>1,430</u>
	<b>2008</b>	2007
	<b>£000</b>	£000
Not wholly repayable within five years:		
Bank loan	<b>1,050</b>	1,110
Wholly repayable within five years:		
8% fixed rate loan stock	<b>–</b>	320
Related undertaking loan	<b>240</b>	–
	<b><u>240</u></b>	<u>320</u>
	<b><u>1,290</u></b>	<u>1,430</u>

The loan stock (£400,000 issued in 2004) was repayable in annual instalments of £80,000 commencing 1 June 2006. Interest was payable in quarterly instalments. The loan stock was fully repaid on 1 June 2007.

The bank loan is repayable in monthly instalments of £5,000 commencing 30 June 2006 and bears interest at 1.4% above LIBOR. The bank holds a fixed charge over the property purchased on the 31 May 2005 and a keyman life assurance policy.

The related undertaking loan (£240,000 received on 1 June 2007) was repayable in annual instalments of £80,000 commencing 1 June 2008. Interest, fixed at 7%, is payable in quarterly instalments. £120,000 was repaid on 1 June 2008.

## 16 Commitments under hire purchase agreements

Future commitments under hire purchase agreements net of future finance lease charges are as follows:

	<b>2008</b>	2007
	<b>£000</b>	£000
Amounts payable within 1 year	<b>571</b>	346
Amounts payable between 2 to 5 years	<b>996</b>	536
	<b>1,567</b>	882
Less interest and finance charges relating to future periods	<b>(203)</b>	(113)
	<b>1,364</b>	769
Hire purchase agreements are analysed as follows:		
Current obligations	<b>499</b>	313
Non-current obligations	<b>865</b>	456
	<b>1,364</b>	769

Amounts due under finance lease and hire purchase agreements are secured on the assets to which they relate.

## 17 Pensions

The company operates defined contribution schemes for the benefit of all employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

## 18 Deferred taxation

The movement in the deferred taxation provision during the year was:

	<b>2008</b>	2007
	<b>£000</b>	£000
Provision brought forward	<b>38</b>	53
Profit and loss account movement arising during the year	<b>44</b>	(15)
Provision carried forward	<b>82</b>	38

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	<b>2008</b>	2007
	<b>£000</b>	£000
Excess of taxation allowances over depreciation on fixed assets	<b>82</b>	38

19 Government grants

	<b>2008</b> <b>£000</b>	2007 £000
Received and receivable:		
At 1 June 2007	<u>87</u>	<u>87</u>
At 31 May 2008	<u>87</u>	<u>87</u>
Amortisation:		
At 1 June 2007	<u>50</u>	36
Credit to profit and loss account	<u>15</u>	<u>14</u>
At 31 May 2008	<u>65</u>	<u>50</u>
Net balance at 31 May 2008	<u>22</u>	<u>37</u>

A government grant was received during the year ended 31 May 2004 to subsidise the purchase of fixed assets for use in the business. The assets funded by the grant are considered to have an economic life of 6 years. The income has been spread over this period and is released to the profit and loss account each year to offset the depreciation charged on the relevant assets. The provision for this deferred income is therefore expected to be fully released by 31 May 2010.

20 Leasing commitments

At 31 May 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	<b>2008</b>		2007	
	<b>Land &amp; Buildings £000</b>	<b>Other Items £000</b>	Land & Buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	-	-	48	1
Within 2 to 5 years	<b>90</b>	-	-	-
After more than 5 years	<b>42</b>	-	-	-
	<u>132</u>	<u>-</u>	<u>48</u>	<u>1</u>

21 Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £54,000 as at 31 May 2008 (2007 - £52,000).

## 22 Ultimate controlling related party and related party transactions

The directors consider that J R Ancell is the company's controlling related party by virtue of his beneficial shareholding.

During the year the company undertook the following transactions and had amounts owing to/from members of the Churngold Remediation Holdings Limited group, Churngold Construction Holdings Limited group and Lulsgate Properties Limited, entities where J R Ancell is both a director and has an interest in more than 20% of the voting rights, and Tarmac and Churngold Recycled Aggregates Limited, an entity of which the company owns 50% of the ordinary share capital:

	Purchases £000	Sales £000	Owed to £000	Owed by £000
<b>2008</b>				
<b>Churngold Construction Holdings Limited</b>	<b>202</b>	–	<b>13</b>	–
<b>Churngold Construction Limited</b>	<b>42</b>	<b>1,720</b>	<b>244</b>	<b>208</b>
<b>Churngold Surfacing Limited</b>	–	<b>1</b>	–	–
<b>Lulsgate Properties Limited</b>	<b>39</b>	–	–	<b>61</b>
<b>Churngold Remediation Limited</b>	–	<b>427</b>	–	<b>129</b>
<b>Tarmac and Churngold Recycled Aggregates Limited</b>	<b>10</b>	<b>164</b>	–	<b>50</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>2007</b>				
Churngold Construction Holdings Limited	114	–	11	–
Churngold Construction Limited	104	1,379	–	344
Churngold Surfacing Limited	2	9	–	1
Lulsgate Properties Limited	30	–	–	33
Churngold Remediation Limited	–	26	–	–
Tarmac and Churngold Recycled Aggregates Limited	2	429	–	78
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Included within loans and loan note balances as at 31 May 2008 are amounts owed to directors and related parties as follows:

	2008 £000	2007 £000
J R Henderson (Director)	–	200
G E Henderson (Director's spouse)	–	120
Churngold Construction Limited	240	–
	<u>          </u>	<u>          </u>

## 23 Share capital

Authorised share capital:

	2008 £	2007 £
50,000 'A' ordinary shares of £0.01 each	<b>500</b>	500
50,000 'B' ordinary shares of £0.01 each	<b>500</b>	500
	<u>          </u>	<u>          </u>
	<b>1,000</b>	<b>1,000</b>
	<u>          </u>	<u>          </u>

23 Share capital (continued)

Allotted, called up and fully paid:

	2008		2007	
	No	1p	No	1p
'A' ordinary shares of £0.01 each	70	70	70	70
'B' ordinary shares of £0.01 each	30	30	30	30
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

24 Revaluation reserve

	2008	2007
	£000	£000
Balance brought forward	278	126
Revaluation of fixed assets	–	152
Balance carried forward	<u>278</u>	<u>278</u>

25 Profit and loss account

	2008	2007
	£000	£000
Balance brought forward	740	320
Profit for the financial year	879	420
Equity dividends paid	(150)	–
Balance carried forward	<u>1,469</u>	<u>740</u>

26 Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Profit for the financial year	879	420
Other net recognised gains and losses	–	152
Equity dividends paid	(150)	–
Net addition to shareholders' equity funds	<u>729</u>	<u>572</u>
Opening shareholders' equity funds	1,018	446
Closing shareholders' equity funds	<u>1,747</u>	<u>1,018</u>

27 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	<b>2008</b>	2007
	<b>£000</b>	£000
Operating profit	1,416	775
Depreciation	609	537
Profit on disposal of fixed assets	(91)	(13)
Amortisation of government grants	(15)	(14)
Increase in debtors	(1,683)	(559)
Increase in creditors	2,464	530
Net cash inflow from operating activities	<u>2,700</u>	<u>1,256</u>

Returns on investments and servicing of finance

	<b>2008</b>	2007
	<b>£000</b>	£000
Interest received	25	4
Interest paid	(100)	(171)
Interest element of hire purchase	(89)	(44)
Net cash outflow from returns on investments and servicing of finance	<u>(164)</u>	<u>(211)</u>

Taxation

	<b>2008</b>	2007
	<b>£000</b>	£000
Taxation	<u>(304)</u>	<u>(134)</u>

Capital expenditure

	<b>2008</b>	2007
	<b>£000</b>	£000
Payments to acquire tangible fixed assets	(250)	(253)
Receipts from sale of fixed assets	138	45
Net cash outflow from capital expenditure	<u>(112)</u>	<u>(208)</u>

Financing

	<b>2008</b>	2007
	<b>£000</b>	£000
Repayment of loan stock	(320)	(330)
Repayment of bank loans	(60)	(60)
Capital element of finance leases and hire purchase	(625)	(437)
Receipt of loan from related undertaking	240	—
Net cash outflow from financing	<u>(765)</u>	<u>(827)</u>

27 Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net debt

	<b>2008</b>	2007
	<b>£000</b>	£000
Increase/(decrease) in cash in the period	<b>1,355</b>	(124)
Net cash outflow from loan stock	<b>320</b>	330
Net cash outflow from bank loans	<b>60</b>	60
Cash outflow in respect of hire purchase	<b>625</b>	437
Net cash inflow from loans from related undertaking	<b>(240)</b>	–
Change in net debt resulting from cash flows	<b>2,120</b>	703
New finance leases and hire purchase arrangements	<b>(1,220)</b>	(578)
Net debt at 1 June 2007	<b>(2,285)</b>	(2,410)
Net debt at 31 May 2008	<b>(1,385)</b>	(2,285)

Analysis of changes in net debt

	<b>At</b>	<b>Cash flows</b>	<b>Other</b>	<b>At</b>
	<b>1 Jun 2007</b>	<b>£000</b>	<b>changes</b>	<b>31 May 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net cash:				
Cash in hand and at bank	–	<b>1,344</b>	–	<b>1,344</b>
Overdrafts	<b>(11)</b>	<b>11</b>	–	–
	<b>(11)</b>	<b>1,355</b>	–	<b>1,344</b>
Debt:				
Debt due within 1 year	<b>(380)</b>	<b>200</b>	–	<b>(180)</b>
Debt due after 1 year	<b>(1,125)</b>	<b>(60)</b>	–	<b>(1,185)</b>
Hire purchase agreements	<b>(769)</b>	<b>625</b>	<b>(1,220)</b>	<b>(1,364)</b>
	<b>(2,274)</b>	<b>765</b>	<b>(1,220)</b>	<b>(2,729)</b>
Net debt	<b>(2,285)</b>	<b>2,120</b>	<b>(1,220)</b>	<b>(1,385)</b>

28 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £74,000 (2007 - £432,000).