



Grant Thornton

Financial statements
Churngold Recycling
Limited

For the Year Ended 31 May 2010

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

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2010.

Principal activities and business review

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

Continued investment has been made into the four-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.

Our joint venture with Tarmac, Tarmac and Churngold Recycled Aggregates Limited, is trading in line with expectations.

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 lower trading activities reflect the wider uncertainty within the construction market and we see this remaining challenging for the next 12 months.

Results and dividends

The profit for the year, after taxation, amounted to £7,000. A dividend of £600,000 was recorded and paid on 25 March 2010. On 25 March 2010, the shareholders reinvested £600,000 into secured loan notes, repayable over 6 years.

Key performance indicators

		2010	2009	Change in the year
Financial metrics				
Revenue	£000	8,111	11,702	(31%)
Earnings before interest, tax, depreciation, amortisation and central management charges	£000	811	1,616	(50%)
Average debtor days	Days	67	66	1 day
People				
Staff as at 31 May	No	60	62	(3%)
Vehicles				
HGV tipper and waste lorries	No	38	42	(10%)
Controlled void (inert) consented	m3	1,042,000	997,000	5%
Controlled void (inert) unconsented	m3	600,000	540,000	11%
	m3	1,642,000	1,537,000	7%

Report of the directors (continued)

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 £750,000, renewed in August 2010 for a period of 12 months. 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, where available.

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

Report of the directors (continued)

Directors' responsibilities

The directors are responsible for preparing the Directors' 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 accounting 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;
- 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 adequate 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 2006. 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 auditors are 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 auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD

R N Tredwin
Secretary
13 August 2010



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 2010 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

James Morter
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Bristol
13 August 2010

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, other than freehold land, over the useful economic life of that asset as follows:

Freehold Building	-	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 results of the joint venture are not material to the company's financial statements. The joint venture has been included at cost less amounts written off.

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

	Note	2010 £000	2009 £000
Turnover	1	8,111	11,702
Cost of sales		(6,888)	(9,432)
Gross profit		1,223	2,270
Other operating charges	2	(1,149)	(1,497)
Operating profit	3	74	773
Interest receivable	6	11	43
Interest payable and similar charges	7	(70)	(153)
Profit on ordinary activities before taxation		15	663
Tax on profit on ordinary activities	8	(8)	(184)
Profit for the financial year	25	7	479

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

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	10	3,464	3,829
Investments	11	85	15
		<u>3,549</u>	<u>3,844</u>
Current assets			
Debtors	12	2,530	2,009
Cash at bank and in hand		266	884
		<u>2,796</u>	<u>2,893</u>
Creditors: amounts falling due within one year	13	<u>3,174</u>	<u>3,076</u>
Net current liabilities		<u>(378)</u>	<u>(183)</u>
Total assets less current liabilities		<u>3,171</u>	<u>3,661</u>
Creditors: amounts falling due after more than one year	14	<u>1,584</u>	<u>1,458</u>
		<u>1,587</u>	<u>2,203</u>
Provisions for liabilities			
Deferred taxation	18	54	69
Government grants	19	-	8
		<u>1,533</u>	<u>2,126</u>
Capital and reserves			
Share capital	23	-	-
Revaluation reserve	24	278	278
Profit and loss account	25	1,255	1,848
Shareholders' funds	26	<u>1,533</u>	<u>2,126</u>

These financial statements were approved by the directors on 13 August 2010 and are signed on their behalf by:

J R Ancell
Chairman

Company number 4739487

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

Cash flow statement

		2010	2009
	Note	£000	£000
Net cash inflow from operating activities	27	404	985
Returns on investments and servicing of finance	27	(759)	(260)
Taxation	27	(80)	(304)
Capital expenditure and financial investment	27	(23)	(71)
Cash (outflow)/inflow before financing		(458)	350
Financing	27	(160)	(810)
Decrease in cash	27	(618)	(460)

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:

	2010	2009
	£000	£000
United Kingdom	8,111	11,702

2 Other operating charges

	2010	2009
	£000	£000
Administrative expenses	1,149	1,497

3 Operating profit

Operating profit is stated after charging/(crediting):

	2010	2009
	£000	£000
Amortisation of government grants re fixed assets	(8)	(14)
Depreciation of owned fixed assets	211	216
Depreciation of assets held under hire purchase agreements	440	463
Profit on disposal of fixed assets	(103)	(87)
Auditor's remuneration:		
Audit fees	4	4
Non-audit fees	9	2
Operating lease costs:		
Plant and equipment	140	211
Other	100	178

4 Directors and employees

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

	2010	2009
Administration and managerial	15	15
Operatives	46	56
	<u>61</u>	<u>71</u>

The aggregate payroll costs of the above were:

	2010	2009
	£000	£000
Wages and salaries	1,569	1,967
Social security costs	160	216
Other pension costs	28	38
	<u>1,757</u>	<u>2,221</u>

5 Directors

Remuneration in respect of directors (and of the highest paid director) was as follows:

	2010	2009
	£000	£000
Emoluments receivable	108	208
Value of company pension contributions to money purchase schemes	21	21
Unrealised gain made on exercise of EMI share options	12	12
	<u>141</u>	<u>241</u>

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

	2010	2009
	No	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 (2009 - one).

6 Interest receivable

	2010	2009
	£000	£000
Bank interest receivable	6	38
Interest receivable from related undertakings	5	5
	<u>11</u>	<u>43</u>

7 Interest payable and similar charges

	2010	2009
	£000	£000
Interest payable on bank borrowing	22	70
Finance charges payable under hire purchase agreements	46	75
Interest payable to related undertakings	2	8
	<u>70</u>	<u>153</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2010	2009
	£	£
Current tax		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	23	197
Total current tax	<u>23</u>	<u>197</u>
Deferred tax		
Origination and reversal of timing differences (note 18)	(15)	(13)
Tax on profit on ordinary activities	<u>8</u>	<u>184</u>

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28%).

	2010	2009
	£	£
Profit on ordinary activities before taxation	<u>15</u>	<u>663</u>
Profit on ordinary activities by rate of tax	4	186
Expenses not deductible for tax purposes	6	(2)
Capital allowances for year less than depreciation	15	13
Differences between standard and actual rate	<u>(2)</u>	<u>-</u>
Current tax (note 8(a))	<u>23</u>	<u>197</u>

9 Dividends

Dividends on shares classed as equity

	2010	2009
	£000	£000
Declared at the year-end (recognised as a liability):		
Equity dividends on ordinary shares	<u>-</u>	<u>100</u>
	2010	2009
	£000	£000
Paid during the year:		
Equity dividends on ordinary shares	<u>600</u>	<u>-</u>

10 Tangible fixed assets

	Freehold Land & Buildings	Plant & Machinery	Motor Vehicles	Leasehold Improvements	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 June 2009	1,974	1,304	2,637	21	5,936
Additions	4	248	39	-	291
Disposals	-	(100)	(323)	-	(423)
At 31 May 2010	1,978	1,452	2,353	21	5,804
Depreciation					
At 1 June 2009	42	676	1,368	21	2,107
Charge for the year	31	223	397	-	651
On disposals	-	(95)	(323)	-	(418)
At 31 May 2010	73	804	1,442	21	2,340
Net Book Value					
At 31 May 2010	1,905	648	911	-	3,464
At 31 May 2009	1,932	628	1,269	-	3,829

Included within the net book value of £3,464,000 is £959,000 (2009 - £1,504,000) 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 £440,000 (2009 - £463,000).

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 directors have carried out an interim valuation of the land and buildings as at 31 May 2010 and have concluded based upon recent neighbouring land sales that the carrying valuation is appropriate.

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 £1,649,000 (2009 - £1,676,000).

The directors consider that, were the property to be sold for its net book value, tax of £72,000 would be payable.

11 Investments

Joint venture	£000
Cost	
At 1 June 2009	15
Additions	70
At 31 May 2010	<u>85</u>
Net book value	
At 31 May 2010	<u>85</u>
At 31 May 2009	<u>15</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 2009 Tarmac and Churngold Recycled Aggregates Limited generated a loss for the year then ended of £35,000 and had net assets of £212,000.

12 Debtors

	2010	2009
	£000	£000
Trade debtors	1,673	1,398
Amounts owed by related undertakings	459	177
Other debtors	170	160
Prepayments and accrued income	228	274
	<u>2,530</u>	<u>2,009</u>

Included in amounts owed by related undertakings is £58,000 (2009 - £55,000) due after more than one year.

13 Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Bank loans and overdrafts	60	60
Loan stock	152	-
Trade creditors	1,681	705
Corporation tax	-	53
Other taxation and social security	126	159
Amounts due under hire purchase agreements	417	504
Proposed dividends	-	100
Amounts owed to related undertakings	21	134
Accruals and deferred income	717	1,361
	<u>3,174</u>	<u>3,076</u>

14 Creditors: amounts falling due after more than one year

	2010	2009
	£000	£000
Bank loans	865	925
Amounts due under hire purchase agreements	269	533
Loan stock	450	-
	<u>1,584</u>	<u>1,458</u>

15 Loans

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

	2010	2009
	£000	£000
Amounts repayable:		
In one year or less or on demand	212	180
In more than one year but not more than two years	110	60
In more than two years but not more than five years	480	180
In more than five years	725	685
	<u>1,527</u>	<u>1,105</u>
	2010	2009
	£000	£000
Not wholly repayable within five years:		
Bank loan and loan stock	1,527	985
Wholly repayable within five years:		
Related undertaking loan	-	120
	<u>1,527</u>	<u>1,105</u>

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 31 May 2005 and a keyman life assurance policy.

The related undertaking loan was repaid in full on 1 June 2009.

A further loan was issued on 25 March 2010 in the amount of £600,000 and interest is being accrued at a rate of 1.5% above bank base rate. The first repayment of £150,000 is due on 10th January 2011 with further £50,000 repayments on 10 January and 1 June through to 1 January 2016. The loan is secured by a second charge on the freehold property.

16 Commitments under hire purchase agreements

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

	2010	2009
	£000	£000
Amounts payable within 1 year	438	544
Amounts payable between 2 to 5 years	316	664
	<u>754</u>	<u>1,208</u>
Less interest and finance charges relating to future periods	(68)	(171)
	<u>686</u>	<u>1,037</u>
Hire purchase agreements are analysed as follows:		
Current obligations	417	504
Non-current obligations	269	533
	<u>686</u>	<u>1,037</u>

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:

	2010	2009
	£000	£000
Provision brought forward	69	82
Profit and loss account movement arising during the year	(15)	(13)
Provision carried forward	<u>54</u>	<u>69</u>

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

	2010	2009
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	<u>54</u>	<u>69</u>

19 Government grants

	2010 £000
Received and receivable:	
At 1 June 2009	87
At 31 May 2010	<u>87</u>
Amortisation:	
At 1 June 2009	79
Credit to profit and loss account	8
At 31 May 2010	<u>87</u>
Net balance at 31 May 2010	<u>-</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.

20 Leasing commitments

At 31 May 2010 the company had annual commitments under non-cancellable operating leases as set out below.

	2010		2009	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	20	-	-	-
Within 2 to 5 years	-	-	50	-
After more than 5 years	36	-	48	-
	<u>56</u>	<u>-</u>	<u>98</u>	<u>-</u>

21 Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £57,000 as at 31 May 2010 (2009 - £55,000).

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, Lulsgate Properties Limited and Churngold Building Services Limited, entities where J R Ancell is a director and/or 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
2010				
Churngold Construction Holdings Limited	86	-	6	-
Churngold Construction Limited	90	981	14	290
Churngold Surfacing Limited	-	1	-	1
Lulsgate Properties Limited	37	-	-	60
Churngold Remediation Limited	32	133	-	3
Tarmac and Churngold Recycled Aggregates Limited	68	619	1	105
Churngold Building Services Limited	-	4	-	-
2009				
Churngold Construction Holdings Limited	164	-	12	-
Churngold Construction Limited	79	228	122	41
Churngold Surfacing Limited	-	2	-	-
Lulsgate Properties Limited	44	-	-	60
Churngold Remediation Limited	15	116	-	8
Tarmac and Churngold Recycled Aggregates Limited	-	502	-	68
Churngold Building Services Limited	-	2	-	-

22 Ultimate controlling related party and related party transactions

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

	2010	2009
	£000	£000
Churngold Construction Limited	-	120
Bourse Trust Company Limited	422	-
J D Barcham	120	-
R N Tredwin	60	-
	<u>602</u>	<u>120</u>

23 Share capital

Authorised share capital:

	2010	2009
	£	£
Authorised share capital		
50,000 'A' ordinary shares of £0.01 each	500	500
50,000 'B' ordinary shares of £0.01 each	500	500
	<u>1,000</u>	<u>1,000</u>

	2010		2009	
	No	1p	No	1p
Allotted, called up and fully paid:				
Ordinary 'A' shares of £0.01 each	70	70	70	70
Ordinary 'B' shares of £0.01 each	30	30	30	30
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

24 Revaluation reserve

	2010	2009
	£000	£000
Balance brought forward	278	278
Revaluation of fixed assets	-	-
Balance carried forward	<u>278</u>	<u>278</u>

25 Profit and loss account

	2010	2009
	£	£
Balance brought forward	1,848	1,469
Profit for the financial year	7	479
Equity dividends	(600)	(100)
Balance carried forward	1,255	1,848

26 Reconciliation of movements in shareholders' funds

	2010	2009
	£000	£00
Profit for the financial year	7	479
Equity dividends paid or proposed	(600)	(100)
Net (reduction)/addition to shareholders' funds	(593)	379
Opening shareholders' funds	2,126	1,747
Closing shareholders' funds	1,533	2,126

27 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	£000	£000
Operating profit	74	773
Depreciation	651	679
Profit on disposal of fixed assets	(103)	(87)
Amortisation of government grants	(8)	(14)
(Increase)/decrease in debtors	(518)	2,218
Increase/(decrease) in creditors	308	(2,584)
Net cash inflow from operating activities	404	985

Returns on investments and servicing of finance

	2010	2009
	£000	£000
Dividends paid	(700)	(150)
Interest received	11	43
Interest paid	(24)	(78)
Interest element of hire purchase	(46)	(75)
Net cash outflow from returns on investments and servicing of finance	<u>(759)</u>	<u>(260)</u>

Taxation

	2010	2009
	£000	£000
Taxation	<u>(80)</u>	<u>(304)</u>

Capital expenditure

	2010	2009
	£000	£000
Payments to acquire tangible fixed assets	(61)	(259)
Receipts from sale of fixed assets	108	191
Purchase of investments	(70)	(3)
Net cash outflow from capital expenditure	<u>(23)</u>	<u>(71)</u>

Financing

	2010	2009
	£000	£000
Repayment of related party loan	(120)	(200)
Repayment of bank loans	(60)	(60)
Capital element of finance leases and hire purchase	(580)	(550)
Issue of loan notes	600	-
Net cash outflow from financing	<u>(160)</u>	<u>(810)</u>

Reconciliation of net cash flow to movement in net debt

	2010	2009
	£000	£000
Decrease in cash in the period	(618)	(460)
Net cash outflow from loan repayments	120	200
Net cash outflow from bank loans	60	60
Cash outflow in respect of hire purchase	580	550
Accrued loan interest	(2)	-
Net cash inflow from loans from related undertakings	(600)	-
Change in net debt resulting from cash flows	(460)	350
New finance leases and hire purchase arrangements	(229)	(223)
Net debt at 1 June 2009	(1,258)	(1,385)
Net debt at 31 May 2010	(1,947)	(1,258)

Analysis of changes in net debt

	At 1 June 2009	Cash flows	Other changes	At 31 May 2010
	£000	£000	£000	£000
Net cash:				
Cash in hand and at bank	884	(618)	-	266
	884	(618)	-	266
Debt:				
Debt due within 1 year	(180)	(30)	(2)	(212)
Debt due after 1 year	(925)	(390)	-	(1,315)
Hire purchase agreements	(1,037)	580	(229)	(686)
	(2,142)	160	(231)	(2,213)
Net debt	(1,258)	(458)	(231)	(1,947)

28 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £86,000 (2009 - £nil).