Churngold Surfacing Limited

Financial statements

For the year ended 31 May 2007

Grant Thornton

Company No. 699369

Company information

Company registration number	699369
Registered office	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
Directors	P R Coughlin (Managing Director) A R Brown (Director) R N Tredwin (Finance 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 43 Queen Square Bristol BS1 4QR

Index

Report of the directors

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

Principal activities and business review

The principal activities of the company are the construction, repair and maintenance of car parks, access roads and highways.

This year has seen continued improvement within the business with sustained margins and improved cash collections.

Results and dividends

The profit for the year, after taxation, amounted to £43,000. Particulars of dividends paid are detailed in note 8 to the financial statements. The directors expect similar results in the future.

Directors

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

P R Coughlin
A R Brown
R N Tredwin
J R Ancell (Resigned 22 December 2006)

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 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.

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.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD

R N Tredwin
Secretary
10 August 2007

Grant Thornton

Report of the independent auditor to the members of Churngold Surfacing Limited

We have audited the financial statements of Churngold Surfacing Limited for the year ended 31 May 2007 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 23. 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 Surfacing 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 2007 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
10 August 2007

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard 1 (Revised 1996): Cash Flow Statements, from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement.

Turnover

Turnover is the total amount receivable for goods and services provided, net of VAT and trade discounts. In the case of long term contracts, turnover represents the sale value of work done in the year.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	-	over 3 to 8 years (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 on 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 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.

Long-term contracts

Turnover and related costs on each long-term contract are recorded in the profit and loss account as contract activity progresses. Turnover is calculated on the basis of the value of the work done. Attributable profit is calculated on a prudent basis for each contract by reference to the contract's cumulative turnover, total contract value and total profit estimated for the completed contract. Full provision is made for losses on a contract immediately they can be foreseen. Work in progress is included in amounts recoverable on long-term contracts.

Share-based payment

This is the first accounting period to which FRS 20 'Share-Based Payment (IFRS 2)' applies.

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 and so has not been recognised.

Profit and loss account

	Note	2007 £000	2006 £000
Turnover	1	**2,369**	2,209
Cost of sales		**(2,046)**	(1,926)
Gross profit		**323**	283
Other operating charges	2	**(272)**	(258)
Operating profit	3	**51**	25
Interest payable and similar charges	6	**(2)**	(4)
Profit on ordinary activities before taxation		**49**	21
Tax on profit on ordinary activities	7	**(6)**	–
Profit for the financial year	20	**43**	21

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	2007 £000	2006 £000
Fixed assets			
Tangible assets	9	**80**	85
Current assets			
Debtors	10	**336**	360
Cash at bank and in hand		**170**	83
		506	443
Creditors: amounts falling due within one year	11	**496**	426
Net current assets		**10**	17
Total assets less current liabilities		**90**	102
Creditors: amounts falling due after more than one year	12	**–**	21
		90	81
Provisions for liabilities			
Deferred taxation	15	**6**	–
		84	81
Capital and reserves			
Called-up equity share capital	19	**10**	10
Profit and loss account	20	**74**	71
Shareholders' funds	21	**84**	81

These financial statements were approved by the directors on 10 August 2007 and are signed on their behalf by:

R N Tredwin
Director

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:

	2007 £000	2006 £000
United Kingdom	**2,369**	2,209

2 Other operating charges

	2007 £000	2006 £000
Administrative expenses	**272**	258

3 Operating profit

Operating profit is stated after charging/(crediting):

	2007 £000	2006 £000
Depreciation of owned fixed assets	**14**	6
Depreciation of assets held under finance leases and hire purchase agreements	**12**	12
Auditor's remuneration:		
Audit fees	**3**	3
Non-audit fees	**2**	2
Operating lease costs:		
Plant and equipment	**78**	111

4 Directors and employees

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

	2007 No	2006 No
Operatives	**11**	13
Administration and managerial	**4**	5
	15	18

The aggregate payroll costs of the above were:

	2007 £000	2006 £000
Wages and salaries	**481**	495
Social security costs	**43**	48
Other pension costs	**7**	6
	531	549

5 Directors

Remuneration in respect of directors was as follows:

	2007 £000	2006 £000
Emoluments receivable	**58**	50
Value of company pension contributions to money purchase schemes	**3**	3
	61	53

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

	2007 No	2006 No
Money purchase schemes	**1**	1

Share options have been issued to certain directors which will be satisfied from the existing share capital of the ultimate parent company. One director exercised share options during the year (2006 - one).

6 Interest payable and similar charges

	2007 £000	2006 £000
Finance charges	**2**	4

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007 £000	2006 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	-	-
Under/(over) provision in prior year	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	6	-

(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 30% (2006 - 30%).

Factors affecting current tax charge

	2007 £000	2006 £000
Profit on ordinary activities before taxation	49	21
Profit on ordinary activities multiplied by rate of tax	15	6
Expenses not deductible for tax purposes	2	2
Capital allowances for period less than depreciation	2	-
Utilisation of tax losses	(19)	(8)
Total current tax	-	-

8 Dividends

Dividends on shares classed as equity

	2007 £000	2006 £000
Paid during the year:		
Equity dividends on ordinary shares	40	20

9 Tangible fixed assets

	Plant & Machinery £000	Motor Vehicles £000	Total £000
Cost			
At 1 June 2006	194	–	194
Additions	17	4	21
At 31 May 2007	211	4	215
Depreciation			
At 1 June 2006	109	–	109
Charge for the year	25	1	26
At 31 May 2007	134	1	135
Net book value			
At 31 May 2007	**77**	**3**	**80**
At 31 May 2006	85	–	85

Included within the net book value of £80,000 is £59,000 (2006 - £71,000) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £12,000 (2006 - £12,000).

10 Debtors

	2007 £000	2006 £000
Trade debtors	**–**	20
Amounts owed by group undertakings	**109**	73
Amounts recoverable on contracts	**185**	233
Other debtors	**28**	22
Prepayments and accrued income	**14**	12
	336	360

11 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	**400**	340
Other taxation and social security	**11**	14
Amounts due under finance leases and hire purchase agreements	**21**	20
Amounts owed to related undertakings	**1**	1
Accruals and deferred income	**63**	51
	496	426

12 Creditors: amounts falling due after more than one year

	2007	2006
	£000	£000
Amounts due under finance leases and hire purchase agreements	–	21

13 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2007	2006
	£000	£000
Amounts payable within 1 year	22	21
Amounts payable between 2 to 5 years	-	22
	22	43
Less interest and finance charges relating to future periods	(1)	(2)
	21	41
Finance leases and hire purchase agreements are analysed as follows:		
Current obligations	21	20
Non-current obligations	-	21
	21	41

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

14 Pensions

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

15 Deferred taxation

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

	2007	2006
	£000	£000
Profit and loss account movement arising during the year	6	-
Provision carried forward	6	-

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

	2007	2006
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	6	-

16 Leasing commitments

At 31 May 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land & buildings	
	2007	2006
	£000	£000
Operating leases which expire:		
Within 2 to 5 years	**5**	25

17 Contingent liabilities

There are no contingent liabilities at 31 May 2007 or 31 May 2006.

The company has available facilities in respect of performance bonds entered into in the normal course of business. Additionally, the bank holds a letter of cross guarantee and debenture between the company and its immediate and ultimate parent undertaking in respect of bank borrowings.

18 Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Churngold Construction Holdings Limited group of companies.

During the year, the company undertook the following transactions and had amounts owing to/from Churngold Recycling Limited and Churngold Remediation Limited, companies where J R Ancell is able to exercise more than 20% of the votes, as at 31 May 2007:

	Purchases	Sales	Owed to	Owed by
	£000	**£000**	**£000**	**£000**
2007				
Churngold Recycling Limited	**9**	**2**	**1**	**–**
Churngold Remediation Limited	**5**	**–**	**–**	**–**
2006				
Churngold Recycling Limited	**14**	**–**	1	–
Churngold Remediation Limited	**4**	**–**	–	–

19 Share capital

Authorised share capital:

	2007	2006
	£000	£000
15,000 Ordinary shares of £1 each	**15**	15

Allotted, called up and fully paid:

	2007		2006	
	No	**£000**	No	£000
Ordinary shares of £1 each	**9,800**	**10**	9,800	10

20 Profit and loss account

	2007	2006
	£000	£000
Balance brought forward	**71**	70
Profit for the financial year	**43**	21
Equity dividends paid	**(40)**	(20)
Balance carried forward	**74**	71

21 Reconciliation of movements in shareholders' funds

	2007	2006
	£000	£000
Profit for the financial year	**43**	21
Equity dividends paid	**(40)**	(20)
Net addition to equity shareholders' funds	**3**	1
Opening equity shareholders' funds	**81**	80
Closing equity shareholders' funds	**84**	81

22 Capital commitments

The directors have confirmed that there were no capital commitments at 31 May 2007 or 31 May 2006.

23 Ultimate parent company and controlling related party

The company is a wholly owned subsidiary of Churngold Construction Limited, itself wholly owned by Churngold Construction Holdings Limited. Churngold Construction Holdings Limited represents the smallest and largest group into which the results of the company are consolidated. Group financial statements are available from the registered office of this company.

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