Financial statements
Churngold Construction Holdings Limited and its subsidiary undertakings

For the Year Ended 31 May 2008

Company No. 4268945

Company information

Company registration number	4268945
Registered office	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
Directors	J R Ancell (Chairman) A R Brown (Managing Director) R N Tredwin (Finance Director) T S Ross (Non-Executive)
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 to the financial statements

Report of the directors

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

Principal activities and business review

The principal activities of the group are ground works, civil engineering services and the construction, repair and maintenance of car parks, access roads and highways. The principal activity of the company is to act as a holding company.

This year has seen continued solid performance throughout our core regions of South West, South Wales and the North West and resultant strong cash generation. The contract base continues to be broadly spread across Retail, PFI, Healthcare and Education.

Future developments

Given the uncertain economic conditions that currently exist, particularly in the Construction Industry, we expect the 2008 /2009 results to reflect a lower level of activity.

Results and dividends

The profit for the year, after taxation, amounted to £1,029,000. Particulars of dividends proposed are detailed in note 10 to the financial statements.

Key performance indicators (continuing operations)

			2008	2007	Change in the year
Financial metrics					
Group revenue		£000	**45,530**	29,740	+ 53%
Group earnings before interest, tax, depreciation, amortisation and central costs		£000	**2,621**	2,076	+ 26%
Work in hand as % of next year's budget		%	**33**	61	- 46%
People					
Staff as at 31 May	Construction		**203**	197	
	Surfacing		**7**	9	
	Holdings		**5**	5	
	Total	No	**215**	211	+ 2%

Funding and risk management objectives and policies

The main risks arising are liquidity, credit and interest rate 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 group uses loan stock funds provided by the Directors, hire purchase facilities provided by various major high street lenders and overdraft facilities provided by Bank of Scotland. At the year end the group had access to undrawn committed borrowing facilities of £1,750,000. The maturity profile of committed banking facilities is regularly reviewed and such facilities are extended or replaced well in advance of their expiry. The group does not enter into speculative financial transactions and uses financial instruments (e.g. Trade Credit Insurance) for certain risk management purposes.

Credit Risk

The group's principal financial assets are cash, trade debtors and amounts recoverable on contracts. The group limits deposits to short term deposits with its bankers. The principal credit risk arises therefore from its debtors/amounts recoverable on contracts.

In order to manage this risk all jobs and customers are credit checked at contract stage and credit insurance is arranged on the majority of debts.

Interest Rate Risk

The group reduces exposure to interest rates through a mixture of fixed rate loan stock and hire purchase arrangements and variable rates for overdraft facilities.

Directors

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

J R Ancell
A R Brown
R N Tredwin
T S Ross

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 the group and of the profit or loss of the group for that year. 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 group 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 group 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 group 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 group'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 Construction Holdings Limited

We have audited the group and parent company financial statements ("the financial statements") of Churngold Construction Holdings Limited for the year ended 31 May 2008 which comprise the principal accounting policies, consolidated profit and loss account, consolidated balance sheet and company balance sheet, consolidated cash flow statement and notes 1 to 29. 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.

Report of the independent auditor to the members of Churngold Construction Holdings Limited and its subsidiary undertakings (continued)

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 group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2008 and of the group's 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 and in accordance with applicable UK accounting standards.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over its estimated useful economic life. The results of companies acquired or disposed of are included in the consolidated profit and loss account, after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

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 sales value of work done in the year.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is capitalised and amortised over the period during which the company is expected to benefit.

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:

Leasehold improvements	-	over the life of the lease
Plant & Machinery	-	over 3 to 8 years (straight line)
Motor Vehicles	-	over 1 to 7 years (straight line)

Investments

Investments are included at cost.

Finance lease agreements

Where the group 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 within creditors. Rentals payable are apportioned between the capital element which reduces the outstanding obligations 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 group 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 group 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.

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.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 and so has not been recognised.

Consolidated profit and loss account

	Note	**2008 £000**	2007 £000
Group turnover	1	**45,530**	29,740
Cost of sales		**(40,822)**	(25,905)
Gross profit		**4,708**	3,835
Other operating charges	2	**(3,342)**	(2,701)
Operating profit	3	**1,366**	1,134
Interest receivable	6	**267**	91
Interest payable and similar charges	7	**(134)**	(90)
Profit on ordinary activities before taxation		**1,499**	1,135
Tax on profit on ordinary activities	8	**(470)**	(379)
Profit for the financial year	25	**1,029**	756

All of the activities of the group are classed as continuing.
The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Consolidated balance sheet

	Note	**2008 £000**	2007 £000
Fixed assets			
Intangible assets	11	**282**	354
Tangible assets	12	**2,568**	1,662
		2,850	2,016
Current assets			
Debtors	14	**8,913**	7,389
Cash at bank and in hand		**3,802**	2,645
		12,715	10,034
Creditors: amounts falling due within one year	15	**11,956**	9,403
Net current assets		**759**	631
Total assets less current liabilities		**3,609**	2,647
Creditors: amounts falling due after more than one year	16	**1,424**	933
		2,185	1,714
Provisions for liabilities			
Deferred taxation	20	**126**	79
		2,059	1,635
Capital and reserves			
Called-up equity share capital	24	**6**	6
Share premium account	25	**269**	269
Other reserves	25	**385**	385
Profit and loss account	25	**1,399**	975
Shareholders' funds	26	**2,059**	1,635

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

J R Ancell
Chairman

Company balance sheet

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	12	**1**	5
Investments	13	**1,162**	1,162
		1,163	1,167
Current assets			
Debtors	14	**470**	367
Cash at bank and in hand		**448**	27
		918	394
Creditors: amounts falling due within one year	15	**1,026**	525
Net current liabilities		**(108)**	(131)
Total assets less current liabilities		**1,055**	1,036
Creditors: amounts falling due after more than one year	16	**–**	180
		1,055	856
Capital and reserves			
Called-up equity share capital	24	**6**	6
Share premium account	25	**269**	269
Other reserves	25	**385**	385
Profit and loss account	25	**395**	196
Shareholders' funds		**1,055**	856

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

J R Ancell
Chairman

Consolidated cash flow statement

	Note	**2008 £000**	2007 £000
Net cash inflow from operating activities	27	**2,808**	1,557
Returns on investments and servicing of finance	27	**106**	(6)
Taxation	27	**(510)**	(321)
Capital expenditure and financial investment	27	**498**	(64)
Equity dividends paid		**(202)**	–
Cash inflow before financing		**2,700**	1,166
Financing	27	**(1,543)**	(825)
Increase in cash	27	**1,157**	341

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the principal activities of the group. An analysis of turnover is given below:

	2008	2007
	£000	£000
United Kingdom	**45,530**	29,740

2 Other operating charges

	2008	2007
	£000	£000
Administrative expenses	**3,342**	2,701

3 Operating profit

Operating profit is stated after charging/(crediting):

	2008	2007
	£000	£000
Amortisation	**72**	72
Depreciation of owned fixed assets	**118**	98
Depreciation of assets held under hire purchase agreements	**439**	256
Profit on disposal of fixed assets	**(58)**	(32)
Auditor's remuneration:		
Audit fees	**16**	16
Non-audit fees	**7**	5
Operating lease costs:		
Plant and equipment	**5,383**	2,917
Other	**97**	68

4 Particulars of employees

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

	2008 **No**	2007 No
Operatives	**186**	149
Administration and managerial	**56**	54
	242	203

The aggregate payroll costs of the above were:

	2008 **£000**	2007 £000
Wages and salaries	**9,335**	7,072
Social security costs	**879**	676
Other pension costs	**342**	225
	10,556	7,973

5 Directors

Remuneration in respect of directors was as follows:

	2008 **£000**	2007 £000
Emoluments receivable	**692**	498
Value of company pension contributions to money purchase schemes	**188**	125
	880	623

Emoluments of highest paid director:

	2008 **£000**	2007 £000
Total emoluments (excluding pension contributions)	**298**	205
Value of company pension contributions to money purchase schemes	**69**	54
	367	259

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

	2008 **No**	2007 No
Money purchase schemes	**3**	3

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

6 Interest receivable

	2008 £000	2007 £000
Bank interest receivable	**225**	91
Interest receivable from related undertakings	**42**	-
	267	91

7 Interest payable and similar charges

	2008 £000	2007 £000
Loan stock interest payable	**13**	41
Finance charges payable under hire purchase agreements	**115**	45
Interest on other loans	**6**	4
	134	90

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £000	2007 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	**423**	323
(Over)/under provision in prior year	**-**	3
Total current tax	**423**	326
Deferred tax:		
Origination and reversal of timing differences (note 20)	**47**	53
Tax on profit on ordinary activities	**470**	379

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% (2007 - 30%).

	2008	2007
	£000	£000
Profit on ordinary activities before taxation	**1,499**	1,135
Profit on ordinary activities by rate of tax	**420**	341
Expenses not deductible for tax purposes	**10**	22
Capital allowances for period less than/(in excess of) depreciation	**(51)**	(43)
Utilisation of tax losses	**-**	(18)
Under/(Over) provision in previous year	**-**	3
Consolidation goodwill	**26**	21
Change in rate of taxation	**20**	-
Income not taxable	**(2)**	-
Total current tax (note 8(a))	**423**	326

9 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £804,000 (2007 - £383,000).

10 Dividends

Dividends on shares classed as equity

	2008	2007
	£000	£000
Proposed at the year-end (recognised as a liability):		
Dividend on ordinary shares	**605**	202

11 Intangible fixed assets

Group	**Goodwill**
	£000
Cost	
At 1 June 2007 and 31 May 2008	720
Amortisation	
At 1 June 2007	366
Charge for the year	72
At 31 May 2008	438
Net book value	
At 31 May 2008	**282**
At 31 May 2007	354

11 Intangible fixed assets (continued)

Goodwill relates to the acquisition of the Churngold Construction Limited group and is being amortised evenly over its estimated useful economic life of 10 years.

12 Tangible fixed assets

Group	**Plant & Machinery £000**	**Motor Vehicles £000**	**Leasehold improvements £000**	**Total £000**
Cost				
At 1 June 2007	2,349	95	60	2,504
Additions	2,053	13	2	2,068
Disposals	(962)	(7)	–	(969)
At 31 May 2008	3,440	101	62	3,603
Depreciation				
At 1 June 2007	741	44	57	842
Charge for the year	529	25	3	557
On disposals	(357)	(7)	–	(364)
At 31 May 2008	913	62	60	1,035
Net book value				
At 31 May 2008	**2,527**	**39**	**2**	**2,568**
At 31 May 2007	1,608	51	3	1,662

Included within the net book value of £2,568,000 is £2,201,000 (2007 - £1,382,000) 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 £439,000 (2007 - £256,000).

Company	**Plant & Machinery £000**	**Leasehold improvements £000**	**Total £000**
Cost			
At 1 June 2007 and 31 May 2008	8	22	30
Depreciation			
At 1 June 2007	6	19	25
Charge for the year	1	3	4
At 31 May 2008	7	22	29
Net book value			
At 31 May 2008	**1**	**–**	**1**
At 31 May 2007	2	3	5

13 Investments

Company	**Group companies £000**
Cost	
At 1 June 2007 and 31 May 2008	**1,162**
Net book value	
At 31 May 2008	**1,162**
At 31 May 2007	1,162

	Class of share capital held	**Nature of business**	**Proportion held**
Subsidiary undertakings			
All held by the company:			
Churngold Construction Limited	Ordinary	Ground works and civil engineering	100%
Churngold Surfacing Limited *	Ordinary	Black top surfacing	100%

* 100% shares held by Churngold Construction Limited

14 Debtors

	The group		**The company**	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Trade debtors	**2,097**	1,050	**–**	–
Amounts owed by group undertakings	**–**	–	**170**	118
Amounts recoverable on contracts	**6,032**	5,552	**–**	–
Amounts owed by related undertakings	**525**	668	**281**	247
Other debtors	**122**	30	**19**	2
Prepayments and accrued income	**137**	89	**–**	–
	8,913	7,389	**470**	367

Included within trade debtors are amounts of £335,000 (2007 - £273,000) in respect of retentions falling due after more than one year. Included within amounts owed by related parties is an amount of £120,000 (2007 - £nil) in respect of a loan falling due after more than one year. Included within other debtors are amounts of £11,000 (2007 - £nil) in respect of debts falling due after more than one year.

15 Creditors: amounts falling due within one year

	The group		The company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Current instalments due on loans	**–**	90	**–**	90
Trade creditors	**6,003**	4,536	**7**	47
Amounts due under hire purchase agreements	**418**	459	**–**	–
Proposed dividends	**605**	202	**605**	202
Corporation tax	**76**	165	**–**	–
Other taxation and social security	**753**	619	**38**	14
Amounts owed to related undertakings	**231**	345	**–**	–
Accruals and deferred income	**3,870**	2,987	**376**	172
	11,956	9,403	**1,026**	525

16 Creditors: amounts falling due after more than one year

	The group		The company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Debenture loans	**–**	180	**–**	180
Amounts due under hire purchase agreements	**1,356**	685	**–**	–
Other creditors	**68**	68	**–**	–
	1,424	933	**–**	180

17 Loans

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

	The group		The company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Amounts repayable:				
In one year or less or on demand	**–**	90	**–**	90
In more than one year but not more than two years	**–**	90	**–**	90
In more than two years but not more than five years	**–**	90	**–**	90
	–	270	**–**	270

	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Wholly repayable within five years:				
15% fixed rate loan stock	**–**	270	**–**	270

The loan stock was repaid in full on 12 October 2007.

18 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	The group		The company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Amounts payable within 1 year	**515**	500	**-**	-
Amounts payable between 2 to 5 years	**1,534**	821	**-**	-
	2,049	1,321	**-**	-
Less interest and finance charges relating to future periods	**(275)**	(177)	**-**	-
	1,774	1,144	**-**	-

Finance leases and hire purchase agreements are analysed as follows:

Current obligations (note 15)	**418**	459	**-**	-
Non-current obligations (note 16)	**1,356**	685	**-**	-
	1,774	1,144	**-**	-

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

19 Pensions

The group 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.

20 Deferred taxation

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

	The group		The company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Provision brought forward	**79**	26	**-**	-
Increase in provision	**47**	53	**-**	-
Provision carried forward	**126**	79	**-**	-

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

Group	**2008**		2007	
	Provided	**Unprovided**	**Provided**	**Unprovided**
	£000	**£000**	£000	£000
Excess of taxation allowances over depreciation on fixed assets	**128**	**-**	82	-
Short term timing differences	**(2)**	**-**	(3)	-
	126	**-**	79	-

20 Deferred taxation (continued)

Deferred taxation provided in the financial statements is as follows:

	Accelerated capital allowances £000	**Short term timing differences £000**	Total £000
At 1 June 2007	**82**	**(3)**	79
Movements during the year	**46**	**1**	47
At 31 May 2008	**128**	**(2)**	126

21 Commitments under operating leases

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

The group	**2008**		2007	
	Land and buildings £000	**Other items £000**	**Land and Buildings** £000	**Other items** £000
Operating leases which expire:				
Within 1 year	**9**	**38**	**-**	4
Within 2 to 5 years	**89**	**98**	75	224
	98	**136**	75	228

22 Contingencies

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £1,589,000 as at 31 May 2008 (2007 - £364,000), £1,250,000 (2007 - £nil) on behalf of Churngold Construction Limited, £189,000 on behalf of Churngold Remediation Limited (2007 - £214,000) and £150,000 on behalf of JWS Churngold Limited (2007 - £150,000).

23 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 for the year.

During the year the group undertook the following transactions and had amounts owing to/from members of the Churngold Remediation Holdings Limited group, Churngold Recycling Limited, JWS Churngold Limited and PD Edenhall Limited, entities where J R Ancell is both a director and has an interest in more than 20% of the voting rights:

	Purchases £000	**Sales £000**	**Owed to £000**	**Owed by £000**
2008				
Churngold Recycling Limited	**1,721**	**244**	**208**	**257**
Churngold Remediation Holdings Limited	**–**	**115**	**–**	**11**
Churngold Remediation Limited	**2,360**	**356**	**23**	**1**
JWS Churngold Limited	**–**	**–**	**–**	**6**
PD Edenhall Estates Limited	**–**	**–**	**–**	**250**
2007				
Churngold Recycling Limited	1,388	220	345	11
Churngold Remediation Holdings Limited	–	93	–	–
Churngold Remediation Limited	345	123	–	422
JWS Churngold Limited	–	–	–	5
PD Edenhall Estates Limited	–	–	–	230

Included within loan stock balances as at 31 May 2008 is an amount owed to J R Ancell (Director) of £nil (2007 - £270,000).

24 Share capital

Authorised share capital:

	2008 £000	2007 £000
1,000,000 'A' Ordinary shares of £0.10 each	**100**	100
1,000,000 'B' Ordinary shares of £0.10 each	**100**	100
	200	200

Allotted, called up and fully paid:

	2008 No	**£000**	2007 No	£000
'A' Ordinary shares of £0.10 each	**38,304**	**4**	38,304	4
'B' Ordinary shares of £0.10 each	**19,296**	**2**	19,296	2
	57,600	**6**	57,600	6

25 Reserves

Group

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 1 June 2007	**269**	**385**	**975**
Profit for the year	**–**	**–**	**1,029**
Equity dividends	**–**	**–**	**(605)**
At 31 May 2008	**269**	**385**	**1,399**

Company

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 1 June 2007	**269**	**385**	**196**
Profit for the year	**–**	**–**	**804**
Equity dividends	**–**	**–**	**(605)**
At 31 May 2008	**269**	**385**	**395**

26 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	**1,029**	756
Equity dividends	**(605)**	(202)
Net addition to shareholders' equity funds	**424**	554
Opening shareholders' equity funds	**1,635**	1,081
Closing shareholders' equity funds	**2,059**	1,635

27 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2008 £000	2007 £000
Operating profit	**1,366**	1,134
Amortisation	**72**	72
Depreciation	**557**	354
Profit on disposal of fixed assets	**(58)**	(32)
Increase in debtors	**(1,508)**	(3,145)
Increase in creditors	**2,379**	3,174
Net cash inflow from operating activities	**2,808**	1,557

27 Notes to the statement of cash flows (continued)

Returns on investments and servicing of finance

	2008 **£000**	2007 £000
Interest received	**250**	91
Interest paid	**(29)**	(52)
Interest element of hire purchase	**(115)**	(45)
Net cash inflow/(outflow) from returns on investments and servicing of finance	**106**	(6)

Taxation

	2008 **£000**	2007 £000
Taxation	**(510)**	(321)

Capital expenditure

	2008 **£000**	2007 £000
Payments to acquire tangible fixed assets	**(165)**	(254)
Receipts from sale of fixed assets	**663**	190
Net cash inflow/(outflow) from capital expenditure	**498**	(64)

Financing

	2008 **£000**	2007 £000
Repayment of loan stock	**(270)**	(361)
Capital element of hire purchase	**(1,273)**	(532)
Net inflow from other long-term loans	**–**	68
Net cash outflow from financing	**(1,543)**	(825)

27 Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net funds

	2008 £000	2007 £000
Increase in cash in the period	**1,157**	341
Net cash outflow from loan stock	**270**	361
Cash outflow in respect of hire purchase	**1,273**	532
Net cash (inflow) from other long-term creditors	**–**	(68)
Change in net funds resulting from cash flows	**2,700**	1,166
Finance leases and hire purchase contracts incepted	**(1,903)**	(1,111)
Movement in net funds in the period	**797**	55
Opening net funds	**1,163**	1,108
Closing net funds	**1,960**	1,163

Analysis of changes in net funds

	At 1 Jun 2007 £000	**Cash flows £000**	**Other changes £000**	**At 31 May 2008 £000**
Net cash:				
Cash in hand and at bank	**2,645**	**1,157**	**–**	**3,802**
Debt:				
Loans	**(338)**	**270**	**–**	**(68)**
Hire purchase agreements	**(1,144)**	**1,273**	**(1,903)**	**(1,774)**
	(1,482)	**1,543**	**(1,903)**	**(1,842)**
Net funds	**1,163**	**2,700**	**(1,903)**	**1,960**

28 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £94,000 (2007 - £190,000).

29 Controlling related party

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