Grant Thornton

Financial statements
Churngold Construction Limited

For the Year Ended 31 May 2008

Company No. 1908306

Company information

Company registration number	1908306
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) R K McCabe (Commercial Director) M G Best (Director - Wales) G A Wiltshire (Operations 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 2008.

Principal activities and business review

The principal activities of the company are ground works, enabling works and civil engineering services.

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

Future developments

Given the current uncertain economic conditions that 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 £1,378,000. Particulars of dividends paid are detailed in note 10 to the financial statements.

Key performance indicators

		2008	2007	Change in the year
Financial metrics				
Revenue	£000	**44,353**	28,504	+ 56%
Earnings before interest, tax, depreciation and central management charges	£000	**2,544**	1,990	+ 28%
Average days turnover in amounts recoverable on contracts	Days	**55**	61	- 6 days
Work in hand as % of next year's budget	%	**33**	60	- 45%
People				
Staff as at 31 May	No	**203**	197	+ 3%

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 company uses hire purchase facilities provided by various major high street lenders and overdraft facilities provided by Bank of Scotland. At the year end the company has 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 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, trade debtors and amounts recoverable on contracts. The company 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 company reduces exposure to interest rates through a mixture of fixed rate 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
R K McCabe
M G Best
G A Wiltshire

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

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

Auditor

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

BY ORDER OF THE BOARD

R N Tredwin
Secretary
22 August 2008

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

We have audited the financial statements of Churngold Construction Limited for the year ended 31 May 2008 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 26. 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 Construction Limited (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Bristol
22 August 2008

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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

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 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 sales 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 7 years (straight line)
Motor vehicles	-	over 4 to 7 years (straight line)
Leasehold improvements	-	over 40 years or period of lease if shorter than 40 years

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 lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company contributes to the personal pension 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.

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 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.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Consolidation

The company has taken advantage of the exemption granted under section 228 of the Companies Act 1985 not to prepare group financial statements as it is a wholly owned subsidiary undertaking of a company preparing and publishing consolidated financial statements. Accordingly, these financial statements present information about the results of the company as an individual undertaking and not its group.

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.

Profit and loss account

	Note	2008 £000	2007 £000
Turnover	1	**44,353**	28,504
Cost of sales		**(40,200)**	(25,172)
Gross profit		**4,153**	3,332
Other operating charges	2	**(2,332)**	(1,906)
Operating profit	3	**1,821**	1,426
Income from shares in group undertakings	6	**15**	40
Interest receivable and similar income	7	**247**	91
Interest payable and similar charges	8	**(120)**	(47)
Profit on ordinary activities before taxation		**1,963**	1,510
Tax on profit on ordinary activities	9	**(585)**	(467)
Profit for the financial year	23	**1,378**	1,043

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	2008 £000	2007 £000
Fixed assets			
Tangible assets	11	**2,516**	1,578
Investments	12	**66**	66
		2,582	1,644
Current assets			
Debtors	13	**8,299**	6,914
Cash at bank and in hand		**3,223**	2,448
		11,522	9,362
Creditors: amounts falling due within one year	14	**10,719**	8,621
Net current assets		**803**	741
Total assets less current liabilities		**3,385**	2,385
Creditors: amounts falling due after more than one year	15	**1,424**	753
		1,961	1,632
Provisions for liabilities			
Deferred taxation	18	**124**	73
		1,837	1,559
Capital and reserves			
Called-up equity share capital	22	**16**	16
Profit and loss account	23	**1,821**	1,543
Shareholders' funds	24	**1,837**	1,559

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

J R Ancell
Chairman

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:

	2008 £000	2007 £000
United Kingdom	**44,353**	28,504

2 Other operating charges

	2008 £000	2007 £000
Administrative expenses	**2,332**	1,906

3 Operating profit

Operating profit is stated after charging/(crediting):

	2008 £000	2007 £000
Depreciation of owned fixed assets	**98**	74
Depreciation of assets held under hire purchase agreements	**427**	244
Profit on disposal of fixed assets	**(58)**	(32)
Auditor's remuneration:		
Audit fees	**9**	8
Non-audit fees	**3**	3
Operating lease costs:		
Plant and equipment	**5,301**	2,917
Other	**89**	68

4 Directors and employees

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

	2008	2007
	No	No
Operatives	**179**	138
Administration and managerial	**48**	45
	227	183

The aggregate payroll costs of the above were:

	2008	2007
	£000	£000
Wages and salaries	**8,405**	6,178
Social security costs	**775**	582
Other pension costs	**174**	130
	9,354	6,890

5 Directors

Remuneration in respect of directors was as follows:

	2008	2007
	£000	£000
Emoluments receivable	**660**	527
Value of company pension contributions to money purchase schemes	**94**	65
	754	592

Emoluments of highest paid director:

	2008	2007
	£000	£000
Total emoluments (excluding pension contributions)	**225**	155
Value of company pension contributions to money purchase schemes	**34**	38
	259	193

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

	2008	2007
	No	No
Money purchase schemes	**4**	4

Share options have been issued to certain directors which will be satisfied from the existing share capital of the ultimate parent company. Three directors exercised share options during the year (2007 - three).

6 Income from shares in group undertakings

	2008	2007
	£000	£000
Income from group undertakings	**15**	40

7 Interest receivable

	2008	2007
	£000	£000
Bank interest receivable	**247**	91

8 Interest payable and similar charges

	2008	2007
	£000	£000
Finance charges payable under hire purchase agreements	**114**	43
Bank interest and other similar charges	**6**	4
	120	47

9 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008	2007
	£000	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	**534**	417
Under provision in prior year	**-**	3
Total current tax	**534**	420
Deferred tax:		
Origination and reversal of timing differences	**51**	47
Tax on profit on ordinary activities	**585**	467

9 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

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

	2008	2007
	£000	£000
Profit on ordinary activities before taxation	**1,963**	1,510
Profit on ordinary activities by rate of tax	**550**	453
Expenses not deductible for tax purposes	**21**	21
Capital allowances for period (in excess of)/less than depreciation	**(55)**	(45)
Over provision in respect of prior year	**-**	3
Change in rate of taxation	**23**	-
Movement in provisions	**(1)**	-
Inter-company dividends, non taxable	**(4)**	(12)
Group relief claimed	**(121)**	(94)
Payment for group relief	**121**	94
Total current tax (note 9(a))	**534**	420

10 Dividends

Dividends on shares classed as equity

	2008	2007
	£000	£000
Paid during the year:		
Equity dividends on ordinary shares	**1,100**	600

11 Tangible fixed assets

	Plant & machinery £000	Motor vehicles £000	Leasehold improvements £000	Total £000
Cost				
At 1 June 2007	2,130	91	38	2,259
Additions	2,053	13	2	2,068
Disposals	(962)	(7)	–	(969)
At 31 May 2008	3,221	97	40	3,358
Depreciation				
At 1 June 2007	601	42	38	681
Charge for the year	503	22	–	525
On disposals	(357)	(7)	–	(364)
At 31 May 2008	747	57	38	842
Net book value				
At 31 May 2008	**2,474**	**40**	**2**	**2,516**
At 31 May 2007	1,529	49	–	1,578

Included within the net book value of £2,516,000 is £2,201,000 (2007 - £1,323,000) 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 £427,000 (2007 - £244,000).

12 Investments

Subsidiary undertaking

	£000
Cost	
At 1 June 2007 and 31 May 2008	**166**
Amounts written off	
At 1 June 2007 and 31 May 2008	**100**
Net book value	
At 31 May 2008	**66**
At 31 May 2007	66

The investment, a subsidiary undertaking, represents a 100% stake in Churngold Surfacing Limited, a company registered in England and Wales and engaged in the construction, repair and maintenance of car parks, access roads and highways. At 31 May 2008, Churngold Surfacing Limited generated a retained profit for the year then ended of £19,000 (2007 - £3,000) and had net assets of £103,000 (2007 - £84,000).

13 Debtors

	2008	2007
	£000	£000
Trade debtors	**2,095**	1,050
Amounts recoverable on long term contracts	**5,835**	5,367
Amounts owed by related parties	**244**	422
Prepayments and accrued income	**125**	75
	8,299	6,914

Included within trade debtors are amounts of £335,000 (2007 - £273,000) in respect of retentions falling due after more than 1 year.
Included in amounts owed by related parties is an amount of £120,000 (2007 - £nil) in respect of a loan falling due after more than 1 year.

14 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors	**5,243**	4,089
Amounts owed to group undertakings	**637**	227
Corporation tax	**68**	165
Other taxation and social security	**703**	594
Amounts due under hire purchase agreements (note 16)	**418**	438
Amounts owed to related parties	**231**	344
Accruals and deferred income	**3,419**	2,764
	10,719	8,621

15 Creditors: amounts falling due after more than one year

	2008	2007
	£000	£000
Amounts due under hire purchase agreements (note 16)	**1,356**	685
Other creditors	**68**	68
	1,424	753

16 Commitments under hire purchase agreements

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

	2008 £000	2007 £000
Amounts payable within 1 year	**515**	478
Amounts payable between 2 to 5 years	**1,534**	821
	2,049	1,299
Less interest and finance charges relating to future periods	**(275)**	(176)
	1,774	1,123
Hire purchase agreements are analysed as follows:		
Current obligations (note 14)	**418**	438
Non-current obligations (note 15)	**1,356**	685
	1,774	1,123

Amounts due under 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 schemes 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:

	2008 £000	2007 £000
Provision brought forward	**73**	26
Profit and loss account movement arising during the year	**51**	47
Provision carried forward	**124**	73

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

	2008 £000	2007 £000
Excess of taxation allowances over depreciation on fixed assets	**124**	76
Short term timing differences	**-**	(3)
	124	73

19 Leasing commitments

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

	2008 Land & Buildings £000	**2008** Other Items £000	2007 Land & Buildings £000	2007 Other Items £000
Operating leases which expire:				
Within 1 year	**-**	**38**	-	4
Within 2 to 5 years	**89**	**93**	75	219
	89	**131**	75	223

20 Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £1,250,000 as at 31 May 2008 (2007 - £nil).

The bank holds a letter of cross guarantee and debenture between the company, its subsidiary and its ultimate parent undertaking in respect of bank borrowings.

21 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 company undertook the following transactions and had amounts owing to/from members of the Churngold Remediation Holdings Limited group and Churngold Recycling 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	**1,720**	**42**	**208**	**244**
Churngold Remediation Holdings Limited	**–**	**1**	**–**	**–**
Churngold Remediation Limited	**2,360**	**355**	**23**	**–**
2007				
Churngold Recycling Limited	1,379	104	344	–
Churngold Remediation Holdings Limited	–	8	–	–
Churngold Remediation Limited	340	122	–	422

22 Share capital

Authorised share capital:

	2008 £000	2007 £000
101,466 Ordinary shares of £1 each	**101**	101

22 Share capital (continued)

Allotted, called up and fully paid:

	2008 No	2008 £000	2007 No	2007 £000
Ordinary shares of £1 each	**15,816**	**16**	15,816	16

23 Profit and loss account

	2008 £000	2007 £000
Balance brought forward	**1,543**	1,100
Profit for the financial year	**1,378**	1,043
Equity dividends paid	**(1,100)**	(600)
Balance carried forward	**1,821**	1,543

24 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	**1,378**	1,043
Equity dividends paid	**(1,100)**	(600)
Net addition to shareholders' equity funds	**278**	443
Opening shareholders' equity funds	**1,559**	1,116
Closing shareholders' equity funds	**1,837**	1,559

25 Capital commitments

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

26 Ultimate parent company and controlling related party

The company is a wholly owned subsidiary of 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 that J R Ancell (Chairman) is the company's controlling related party by virtue of his majority beneficial shareholding in the ultimate parent company.