Grant Thornton

Financial statements
Churngold Surfacing Limited

For the Year Ended 31 May 2008

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 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 the construction, repair and maintenance of car parks, access roads and highways.

The business continues to trade in line with expectations, supported by a strong cash position and strengthening balance sheet.

Future development

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

Results and dividends

The profit for the year, after taxation, amounted to £34,000. 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

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.

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
22 August 2008

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 2008 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 22. 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 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): 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)
Motor Vehicles	-	over 1 year (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.

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

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 payments 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	**2,659**	2,369
Cost of sales		**(2,389)**	(2,046)
Gross profit		**270**	323
Other operating charges	2	**(225)**	(272)
Operating profit	3	**45**	51
Interest payable and similar charges	6	**(1)**	(2)
Profit on ordinary activities before taxation		**44**	49
Tax on profit on ordinary activities	7	**(10)**	(6)
Profit for the financial year	19	**34**	43

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	9	**52**	80
Current assets			
Debtors	10	**786**	336
Cash at bank and in hand		**131**	170
		917	506
Creditors: amounts falling due within one year	11	**864**	496
Net current assets		**53**	10
Total assets less current liabilities		**105**	90
Provisions for liabilities			
Deferred taxation	14	**2**	6
		103	84
Capital and reserves			
Called-up equity share capital	18	**10**	10
Profit and loss account	19	**93**	74
Shareholders' funds	20	**103**	84

These financial statements were approved by the directors on 22 August 2008 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:

	2008	2007
	£000	£000
United Kingdom	**2,659**	2,369

2 Other operating charges

	2008	2007
	£000	£000
Administrative expenses	**225**	272

3 Operating profit

Operating profit is stated after charging:

	2008	2007
	£000	£000
Depreciation of owned fixed assets	**16**	14
Depreciation of assets held under hire purchase agreements	**12**	12
Auditor's remuneration:		
Audit fees	**4**	3
Non-audit fees	**2**	2
Operating lease costs:		
Plant and equipment	**82**	78
Other	**8**	–

4 Directors and employees

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

	2008 No	2007 No
Operatives	**7**	11
Administration and managerial	**3**	4
	10	15

The aggregate payroll costs of the above were:

	2008 £000	2007 £000
Wages and salaries	**359**	481
Social security costs	**31**	43
Other pension costs	**6**	7
	396	531

5 Directors

Remuneration in respect of directors was as follows:

	2008 £000	2007 £000
Emoluments receivable	**59**	58
Value of company pension contributions to money purchase schemes	**3**	3
	62	61

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

	2008 No	2007 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. Two directors exercised share options during the year (2007 - two).

6 Interest payable and similar charges

	2008 £000	2007 £000
Finance charges	**1**	2

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £000	2007 £000
Current tax:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	**14**	-
Total current tax	**14**	-
Deferred tax:		
Origination and reversal of timing differences (note 14)		
Capital allowances	**(4)**	6
Tax on profit on ordinary activities	**10**	6

(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 £000	2007 £000
Profit on ordinary activities before taxation	**44**	49
Profit on ordinary activities by rate of tax	**12**	15
Expenses not deductible for tax purposes	**1**	2
Depreciation in excess of capital allowances	**4**	2
Utilisation of tax losses	**-**	(19)
Change in rate of taxation	**(3)**	-
Group relief claimed	**(5)**	-
Payment for group relief	**5**	-
Total current tax (note 7(a))	**14**	-

8 Dividends

Dividends on shares classed as equity

	2008 £000	2007 £000
Paid during the year:		
Equity dividends on ordinary shares	**15**	40

9 Tangible fixed assets

	Plant & Machinery £000	Motor Vehicles £ 000	Total £000
Cost			
At 1 June 2007 and 31 May 2008	211	4	215
Depreciation			
At 1 June 2007	134	1	135
Charge for the year	25	3	28
At 31 May 2008	159	4	163
Net book value			
At 31 May 2008	**52**	**–**	**52**
At 31 May 2007	77	3	80

Included within the net book value of £52,000 is £nil (2007 - £59,000) 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 £12,000 (2007 - £12,000).

10 Debtors

	2008 £000	2007 £000
Trade debtors	**2**	–
Amounts owed by group undertakings	**471**	109
Amounts recoverable on contracts	**198**	185
Other debtors	**103**	28
Prepayments and accrued income	**12**	14
	786	336

11 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**752**	400
Amounts owed to group undertakings	**5**	–
Corporation tax	**9**	–
PAYE and social security	**12**	11
Amounts due under hire purchase agreements	**–**	21
Amounts owed to related undertakings	**–**	1
Accruals and deferred income	**86**	63
	864	496

12 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	**-**	22
Less interest and finance charges relating to future periods	**-**	(1)
	-	21
Hire purchase agreements are analysed as follows:		
Current obligations	**-**	21
	-	21

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

13 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.

14 Deferred taxation

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

	2008 £000	2007 £000
Provision brought forward	**6**	-
Profit and loss account movement arising during the year	**(4)**	6
Provision carried forward	**2**	6

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	**2**	6

15 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	**9**	**-**	-	-
Within 2 to 5 years	**-**	**5**	-	5
	9	**5**	-	5

16 Contingent liabilities

There are no contingent liabilities at 31 May 2008 or 31 May 2007.

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.

17 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 both a director and able to exercise more than 20% of the votes, as at 31 May 2008:

	Purchases £000	**Sales £000**	**Owed to £000**	**Owed by £000**
2008				
Churngold Recycling Limited	**1**	**–**	**–**	**–**
Churngold Remediation Limited	**–**	**–**	**–**	**–**
2007				
Churngold Recycling Limited	9	2	1	–
Churngold Remediation Limited	5	–	–	–

18 Share capital

Authorised share capital:

	2008 £000	2007 £000
15,000 Ordinary shares of £1 each	**15**	15

18 Share capital (continued)

Allotted, called up and fully paid:

	2008		2007	
	No	**£000**	No	£000
Ordinary shares of £1 each	**9,800**	**10**	9,800	10

19 Profit and loss account

	2008	2007
	£000	£000
Balance brought forward	**74**	71
Profit for the financial year	**34**	43
Equity dividends paid	**(15)**	(40)
Balance carried forward	**93**	74

20 Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Profit for the financial year	**34**	43
Equity dividends paid	**(15)**	(40)
Net addition to shareholders' equity funds	**19**	3
Opening shareholders' equity funds	**84**	81
Closing shareholders' equity funds	**103**	84

21 Capital commitments

The directors have confirmed that there were no capital commitments at 31 May 2008 or 31 May 2007.

22 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.