Grant Thornton

Financial statements
Churngold Construction Holdings Limited and its subsidiary undertakings

For the Year Ended 31 May 2010

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 2010.

Principal activities and business review

The principal activities of the group are ground works, enabling 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.

The business has performed well given the difficult market conditions and the Directors will continue to ensure that the business maintains a strong cash backed balance sheet.

Future developments

The construction industry continues to be challenging, however the level of work in hand leaves the business well placed for the next financial year. The group has access to £750,000 of undrawn bank borrowing facilities made available until August 2011.

Results and dividends

The profit for the year, after taxation, amounted to £541,000. Particulars of dividends paid and proposed are detailed in note 10 to the financial statements.

Key performance indicators (continuing operations)

			2010	2009	Change in the year
Financial metrics					
Group revenue		£000	**26,877**	27,666	(3%)
Group earnings before interest, tax, depreciation, amortisation and central costs		£000	**1,948**	1,915	2%
Work in hand as % of next year's budget		%	**67**	64	
People					
Staff as at 31 May	Construction		**126**	136	
	Surfacing		**9**	7	
	Holdings		**5**	5	
	Total	No	**140**	148	(5%)

Report of the directors (continued)

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 £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.

Donations

During the year the company made charitable donations of £20,000 (2009: £nil).

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

Report of the directors (continued)

Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditor

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

BY ORDER OF THE BOARD

R N Tredwin
Secretary
13 August 2010

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

We have audited the financial statements of Churngold Construction Holdings Limited for the year ended 31 May 2010 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention 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 408 of the Companies Act 2006.

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)

No depreciation is provided on freehold land.

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 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. The value of work completed at the year end for which no sales invoice has been raised or no certification paid 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	2010 £000	2009 £000
Group Turnover	1	**26,877**	27,666
Cost of sales		**(22,998)**	(24,027)
Gross profit		**3,879**	3,639
Other operating charges	2	**(3,074)**	(2,917)
Operating profit	3	**805**	722
Interest receivable	6	**50**	145
Interest payable and similar charges	7	**(66)**	(106)
Profit on ordinary activities before taxation		**789**	761
Tax on profit on ordinary activities	8	**(248)**	(243)
Profit for the financial year	24	**541**	518

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 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

Consolidated balance sheet

	Note	2010 £000	2009 £000
Fixed assets			
Intangible assets	11	**138**	210
Tangible assets	12	**1,354**	2,324
		1,492	2,534
Current assets			
Debtors	14	**5,436**	5,251
Cash at bank and in hand		**2,117**	3,820
		7,553	9,071
Creditors: amounts falling due within one year	15	**7,305**	8,606
Net current assets		**248**	465
Total assets less current liabilities		**1,740**	2,999
Creditors: amounts falling due after more than one year	16	**26**	759
		1,714	2,240
Provision for liabilities			
Deferred taxation	19	**7**	66
		1,707	2,174
Capital and reserves			
Called up share capital	23	**6**	6
Share premium account	24	**269**	269
Other reserves	24	**385**	385
Profit and loss account	24	**1,047**	1,514
Shareholders' funds	25	**1,707**	2,174

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

J R Ancell
Chairman

Company number 4268945

Company balance sheet

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	12	**1**	1
Investments	13	**1,162**	1,162
		1,163	1,163
Current assets			
Debtors	14	**811**	523
Cash at bank and in hand		**-**	461
		811	984
Creditors: amounts falling due within one year	15	**917**	658
Net current (liabilities)/assets		**(106)**	326
Total assets less current liabilities		**1,057**	1,489
Creditors: amounts falling due after more than one year	16	**-**	-
		1,057	1,489
Capital and reserves			
Called up share capital	23	**6**	6
Share premium account	24	**269**	269
Other reserves	24	**385**	385
Profit and loss account	24	**397**	829
Shareholders' funds		**1,057**	1,489

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

J R Ancell
Chairman

Consolidated cash flow statement

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	26	**246**	1,769
Returns on investments and servicing of finance	26	**(16)**	22
Taxation	26	**(357)**	(163)
Capital expenditure and financial investment	26	**474**	(441)
Equity dividends paid		**(1,411)**	(605)
Cash (outflow)/inflow before financing		**(1,064)**	582
Financing	26	**(639)**	(564)
(Decrease)/increase in cash	26	**(1,703)**	18

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:

	2010	2009
	£000	£000
United Kingdom	26,877	27,666

2 Other operating charges

	2010	2009
	£000	£000
Administrative expenses	3,074	2,917

3 Operating profit

Operating profit is stated after charging/(crediting):

	2010	2009
	£000	£000
Amortisation	72	72
Depreciation of owned fixed assets	156	138
Depreciation of assets held under hire purchase agreements	321	540
Loss on disposal of fixed assets	19	7
Auditor's remuneration:		
Audit fees	12	12
Non-audit fees	7	5
Operating lease costs:		
Plant and equipment	2,873	2,662
Other	72	72

4 Particulars of employees

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

	2010	2009
Operatives	98	118
Administration and managerial	45	49
	143	167

The aggregate payroll costs of the above were:

	2010	2009
	£000	£000
Wages and salaries	5,813	6,409
Social security costs	610	672
Other pension costs	203	201
	6,626	7,282

5 Directors

Remuneration in respect of directors was as follows:

	2010	2009
	£000	£000
Emoluments receivable	446	535
Value of company pension contributions to money purchase schemes	60	83
Unrealised gain made on exercise of EMI share options	41	41
	547	659

Emolument of highest paid director:

	2010	2009
	£000	£000
Total emoluments (excluding pension contributions)	194	246
Value of company pension contributions to money purchase schemes	20	33
	214	279

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

	2010	2009
	No	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 (2009 - two).

6 Interest receivable

	2010	2009
	£000	£000
Bank interest receivable	48	132
Interest receivable from related undertakings	2	13
	50	145

7 Interest payable and similar charges

	2010	2009
	£000	£000
Finance charges payable under hire purchase agreements	66	100
Interest on other loans	-	6
	66	106

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2010	2009
	£000	£000
Current tax		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	306	303
(Over)/under provision in prior year	1	-
Total current tax	307	303
Deferred tax:		
Origination and reversal of timing differences (note 19)	(59)	(60)
Tax on profit on ordinary activities	248	243

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

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

	2010	2009
	£	£
Profit on ordinary activities before taxation	789	761
Profit on ordinary activities by rate of tax	221	213
Expenses not deductible for tax purposes	7	10
Capital allowances for period less than depreciation	59	60
Amortisation of goodwill	20	20
Adjustment in respect of prior period	1	-
Other timing differences	(1)	-
Current tax (note 8(a))	307	303

9 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £576,000 (2009 - profit £837,000).

10 Dividends

Dividends on shares classed as equity

	2010	2009
	£000	£000
Declared at the year end (recognised as a liability):		
Dividend on ordinary shares	-	403
Declared and paid during the year:		
Dividend on ordinary shares	1,008	-

11 Intangible fixed assets

Group	Goodwill
	£000
Cost	
At 1 June 2009 and 31 May 2010	720
Amortisation	
At 1 June 2009	510
Charge for the year	72
At 31 May 2010	**582**
Net Book Value	
At 31 May 2010	**138**
At 31 May 2009	210

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	Freehold Land	Plant & Machinery	Motor Vehicles	Leasehold Improvements	Total
	£000	£000	£000	£000	£000
Cost					
At 1 June 2009	431	3,227	75	63	3,796
Additions	-	45	13	-	58
Disposals	-	(1,133)	-	-	(1,133)
At 31 May 2010	431	2,139	88	63	2,721
Depreciation					
At 1 June 2009	-	1,375	36	61	1,472
Charge for the year	-	459	17	1	477
On disposals	-	(582)	-	-	(582)
At 31 May 2010	-	1,252	53	62	1,367
Net Book Value					
At 31 May 2010	**431**	**887**	**35**	**1**	**1,354**
At 31 May 2009	431	1,852	39	2	2,324

12 Tangible fixed assets (continued)

Included within the net book value of £1,354,000 is £651,000 (2009 - £1,471,000) 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 £321,000 (2009 - £540,000).

Company	Plant & Machinery	Leasehold Improvements	Total
	£000	£000	£000
Cost			
At 1 June 2009	9	22	31
Additions	1	-	1
At 31 May 2010	10	22	32
Depreciation			
At 1 June 2009	8	22	30
Charge for the year	1	-	1
At 31 May 2010	9	22	31
Net Book Value			
At 31 May 2010	**1**	**-**	**1**
At 31 May 2009	1	-	1

13 Investments

	Group Companies
	£000
Company	
Cost at 1 June 2009 and 31 May 2010	**1,162**
Net Book Value	
At 31 May 2010	**1,162**
At 31 May 2009	1,162

	Class of share capital held	Nature of business	Proportion held
Subsidiary Undertakings			
Churngold Construction Limited	Ordinary	Groundworks 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	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Trade debtors	**1,211**	1,357	**-**	-
Amounts owed by group undertakings	**-**	-	**132**	85
Amounts recoverable on contracts	**3,010**	3,177	**-**	-
Amounts owed by related undertakings	**1,052**	560	**679**	433
Corporation tax	**-**	-	**-**	-
Other debtors	**47**	38	**-**	5
Prepayments and accrued income	**116**	119	**-**	-
	5,436	5,251	**811**	523

Included within trade debtors are amounts of £177,000 (2009 - £210,000) in respect of retentions falling due after more than one year. Included within other debtors are amounts of £nil (2009 - £2,000) in respect of debts falling due after more than one year.

15 Creditors: amounts falling due within one year

	The group		The company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Trade creditors	**2,890**	2,910	**9**	5
Bank overdraft	**-**	-	**872**	-
Amounts due under hire purchase agreements	**613**	519	**-**	-
Proposed dividends	**-**	403	**-**	403
Corporation tax	**166**	216	**-**	-
Other taxation and social security	**541**	863	**11**	20
Amounts owed to related undertakings	**327**	61	**-**	3
Accruals and deferred income	**2,768**	3,634	**25**	227
	7,305	8,606	**917**	658

16 Creditors: amounts falling due after more than one year

	The group		The company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Amounts due under hire purchase agreements	**26**	759	**-**	-
	26	759	**-**	-

17 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	The group		The company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Amounts payable within 1 year	**624**	587	-	-
Amounts payable between 2 to 5 years	**26**	770	-	-
	650	1,357	-	-
Less interest and finance charges relating to future periods	**(11)**	(79)	-	-
	639	1,278	-	-

Finance leases and hire purchase agreements are analysed as follows:

	The group		The company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Current obligations (note 15)	**613**	519	-	-
Non-current obligations (note 16)	**26**	759	-	-
	639	1,278	-	-

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

18 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.

19 Deferred taxation

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

	The group		The company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Provision brought forward	**66**	126	**-**	-
Decrease in provision	**(59)**	(60)	**-**	-
Provision carried forward	**7**	66	**-**	-

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

Group	**2010**		2009	
	Provided	**Unprovided**	Provided	Unprovided
	£000	£000	£000	£000
Excess of taxation allowances over depreciation on fixed assets	**8**	-	68	-
Short term timing differences	**(1)**	-	(2)	-
	7	-	66	-

Deferred taxation provided in the financial statements is as follows:

	Accelerated capital allowances	**Short term timing differences**	**Total**
	£000	**£000**	**£000**
At 1 June 2009	68	(2)	66
Movements during the year	(60)	1	(59)
At 31 May 2010	**8**	**(1)**	**7**

20 Commitments under operating leases

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

The group	**2010**		2009	
	Land & Buildings	**Other Items**	Land & Buildings	Other Items
	£000	**£000**	£000	£000
Operating leases which expire:				
Within 1 year	**-**	**5**	-	24
Within 2 to 5 years	**87**	**-**	89	28
	87	**5**	89	52

21 Contingencies

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £458,000 as at 31 May 2010 (2009 - £1,279,000), £208,000 (2009 - £750,000) on behalf of Churngold Construction Limited, £100,000 (2009 - £299,000) on behalf of Churngold Remediation Limited, £150,000 (2009 - £150,000) on behalf of JWS Churngold Limited, and £nil (2009 - £80,000) on behalf of Churngold Building Services Limited. There is a cross guarantee between this company and Churngold Remediation Holdings Limited relating to the bank overdraft facility. At 31 May 2010, the bank borrowings in Churngold Remediation Holdings Limited amounted to £nil (2009 - £315,000).

22 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, PD Edenhall Estates Limited, Churngold Building Services Limited, MDS Technologies Limited and Lulsgate Investments Limited, entities where J R Ancell is both a director and has an interest in the voting rights:

	Purchases	Sales	Owed to	Owed by
	£000	£000	£000	£000
2010				
Churngold Recycling Limited	982	176	291	19
Churngold Remediation Limited	94	258	26	358
JWS Churngold Limited	-	25	-	180
PD Edenhall Estates Limited	-	-	-	330
Churngold Building Services Limited	-	13	10	133
MDS Technologies Limited	-	35	-	5
Lulsgate Investments Limited	-	-	-	27

22 Related party transactions (continued)

	Purchases £000	Sales £000	Owed to £000	Owed by £000
2009				
Churngold Recycling Limited	230	243	41	134
Churngold Remediation Holdings Limited	-	17	-	-
Churngold Remediation Limited	54	147	12	-
JWS Churngold Limited	-	-	-	6
PD Edenhall Estates Limited	-	-	-	308
Churngold Building Services Limited	68	20	8	100
MDS Technologies Limited	-	108	-	12

23 Share capital

	2010	2009
	£000	£000
Authorised share capital		
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

	2010		2009	
	No	**£000**	No	£000
Allotted, called up and fully paid:				
'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

24 Reserves

Group	**Share premium account**	**Capital redemption reserve**	**Profit and loss account**
	£000	**£000**	**£000**
At 1 June 2009	269	385	1,514
Profit for the year	-	-	541
Equity dividends	-	-	(1,008)
At 31 May 2010	269	385	1,047

24 Reserves (continued)

Company	Share premium account	Capital redemption reserve	Profit and loss account
	£000	£000	£000
At 1 June 2009	269	385	829
Profit for the year	-	-	576
Equity dividends	-	-	(1,008)
At 31 May 2010	269	385	397

25 Reconciliation of movements in shareholders' funds

	2010	2009
	£000	£000
Profit for the financial year	541	518
Equity dividends	(1,008)	(403)
Net (reduction)/addition to shareholders' equity funds	(467)	115
Opening shareholders' equity funds	2,174	2,059
Closing shareholders' equity funds	1,707	2,174

26 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	£000	£000
Operating profit	805	722
Amortisation	72	72
Depreciation	477	678
Loss on disposal of fixed assets	19	7
(Increase)/decrease in debtors	(185)	3,679
Decrease in creditors	(942)	(3,389)
Net cash inflow from operating activities	246	1,769

Returns on investments and servicing of finance

	2010	2009
	£000	£000
Interest received	50	128
Interest paid	-	(6)
Interest element of hire purchase	(66)	(100)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(16)	22

Taxation

	2010	2009
	£000	£000
Taxation	(357)	(163)

Capital expenditure

	2010	2009
	£000	£000
Payments to acquire tangible fixed assets	(58)	(637)
Receipts from sale of fixed assets	532	196
Net cash inflow/(outflow) from capital expenditure	474	(441)

Financing

	2010	2009
	£000	£000
Repayment of loan stock	-	(68)
Capital element of hire purchase	(639)	(496)
Net cash outflow from financing	(639)	(564)

Reconciliation of net cash flow to movement in net funds

	2010	2009
	£000	£000
(Decrease)/increase in cash in the period	(1,703)	18
Net cash outflow from loan stock	-	68
Cash outflow in respect of hire purchase	639	496
Change in net funds resulting from cash flows	(1,064)	582
Movement in net funds in the period	(1,064)	582
Opening net funds	2,542	1,960
Closing net funds	1,478	2,542

Analysis of changes in net funds

	At 1 June 2009	Cash flows	Other changes	At 31 May 2010
	£000	£000	£000	£000
Net cash				
Cash in hand and at bank	3,820	(1,703)	-	2,117
Debt				
Hire purchase agreements	(1,278)	639	-	(639)
	(1,278)	639	-	(639)
Net funds	2,542	(1,064)	-	1,478

27 Capital commitments

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

28 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.