



Grant Thornton

Financial statements  
Churngold Surfacing  
Limited

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**For the Year Ended 31 May 2010**

## Company information

<b>Company registration number</b>	699369
<b>Registered office</b>	St Andrews House St Andrews Road Avonmouth Bristol BS11 9DQ
<b>Directors</b>	P R Coughlin (Managing Director) A R Brown (Director) R N Tredwin (Finance Director)
<b>Secretary</b>	R N Tredwin
<b>Bankers</b>	Bank of Scotland 21 Prince Street Bristol BS99 7JG
<b>Solicitors</b>	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
<b>Auditor</b>	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 2010.

### **Principal activities and business review**

The principal activities of the group 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.

### **Future development**

We expect the construction market to continue to be challenging for at least the next 12 months.

### **Results and dividends**

The profit for the year, after taxation, amounted to £9,000. The directors have not recommended a dividend. 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 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 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 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.

## Report of the directors (continued)

The directors are responsible for keeping adequate 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

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

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.

### **Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part 15 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 Surfacing Limited

We have audited the financial statements of Churngold Surfacing Limited for the year ended 31 May 2010 which comprise the principal accounting policies, the profit and loss account, the balance sheet 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 auditor**

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](http://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 company's affairs as at 31 May 2010 and of its 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 Surfacing Limited (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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 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 3 to 4 years (straight line)

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability. The interest element represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the agreement.

### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the capital element which reduces the outstanding obligation for future instalments, and the finance element, which represents a constant proportion of the outstanding obligation for future instalments and is charged to the profit and loss account over the period of the lease.



### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **Pension costs**

The company contributes to the personal pensions of all employees. Contributions are charged to the profit and loss account as incurred.

### **Deferred taxation**

Deferred tax is recognised 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 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.

### **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	2010 £000	2009 £000
Turnover	1	1,615	1,937
Cost of sales		(1,429)	(1,719)
Gross profit		186	218
Other operating charges	2	(172)	(211)
<b>Operating profit</b>	3	14	7
Interest payable and similar charges		-	-
<b>Profit on ordinary activities before taxation</b>		14	7
Tax on profit on ordinary activities	6	(5)	(2)
<b>Profit for the financial year</b>	17	9	5

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	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	7	<u>57</u>	<u>59</u>
<b>Current assets</b>			
Debtors	8	450	350
Cash at bank and in hand		<u>116</u>	<u>136</u>
		566	486
<b>Creditors: amounts falling due within one year</b>	9	<u>503</u>	<u>437</u>
<b>Net current assets</b>		<u>63</u>	<u>49</u>
<b>Total assets less current liabilities</b>		120	108
<b>Provision for liabilities</b>			
Deferred taxation	11	<u>3</u>	<u>-</u>
		<u>117</u>	<u>108</u>
<b>Capital and reserves</b>			
Called-up share capital	15	10	10
Profit and loss account	16	<u>107</u>	<u>98</u>
<b>Shareholders' funds</b>	17	<u>117</u>	<u>108</u>

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

R N Tredwin  
Director

Company number 699369

## 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:

	2010	2009
	£000	£000
United Kingdom	<u>1,615</u>	<u>1,937</u>

### **2 Other operating charges**

	2010	2009
	£000	£000
Administrative expenses	<u>172</u>	<u>211</u>

### **3 Operating profit**

Operating profit is stated after charging:

	2010	2009
	£000	£000
Depreciation of owned fixed assets	27	23
Auditor's remuneration:		
Audit fees	3	3
Non-audit fees	1	1
Operating lease costs:		
Plant and equipment	25	58
Other	-	9

**4 Directors and employees**

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

	<b>2010</b>	2009
Operatives	<b>5</b>	6
Administration and managerial	<b>3</b>	3
	<u><b>8</b></u>	<u>9</u>

The aggregate payroll costs of the above were:

	<b>2010</b>	2009
	<b>£000</b>	£000
Wages and salaries	<b>265</b>	261
Social security costs	<b>25</b>	26
Other pension costs	<b>4</b>	5
	<u><b>294</b></u>	<u>292</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
Emoluments receivable	<b>57</b>	54
Value of company pension contributions to money purchase schemes	<b>3</b>	3
	<u><b>60</b></u>	<u>57</u>

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

	<b>2010</b>	2009
	<b>No</b>	No
Money purchase schemes	<u><b>1</b></u>	<u>1</u>

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 (2009 - two).

**6 Taxation on ordinary activities**

(a) Analysis of charge in the year

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Current tax</b>		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	<u>2</u>	<u>4</u>
Total current tax	2	4
Deferred tax:		
Origination and reversal of timing differences (note 11)		
Capital allowances	<u>3</u>	<u>(2)</u>
Tax on profit on ordinary activities	<u><b>5</b></u>	<u>2</u>

(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% (2009 - 28%)

	<b>2010</b>	2009
	<b>£000</b>	£000
Profit on ordinary activities before taxation	<u>14</u>	<u>7</u>
Profit on ordinary activities by rate of tax	4	2
Expenses not deductible for tax purposes	1	1
Capital allowances (in excess of)/less than depreciation	<b>(3)</b>	2
Change in rate of taxation	<u>-</u>	<u>(1)</u>
Current tax (note 6(a))	<u><b>2</b></u>	<u>4</u>

**7 Tangible fixed assets**

	<b>Plant &amp; Machinery</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 June 2009	227	17	244
Additions	12	13	25
At 31 May 2010	<u>239</u>	<u>30</u>	<u>269</u>
<b>Depreciation</b>			
At 1 June 2009	181	4	185
Charge for the year	21	6	27
At 31 May 2010	<u>202</u>	<u>10</u>	<u>212</u>
<b>Net book value</b>			
At 31 May 2010	<u>37</u>	<u>20</u>	<u>57</u>
At 31 May 2009	<u>46</u>	<u>13</u>	<u>59</u>

**8 Debtors**

	<b>2010</b>	2009
	<b>£000</b>	£000
Trade debtors	2	12
Amounts owed by group undertakings	166	236
Amounts owed by related undertakings	86	-
Amounts recoverable on contracts	152	67
Other debtors	40	33
Prepayments and accrued income	4	2
	<u>450</u>	<u>350</u>



**9 Creditors: amounts falling due within one year**

	2010	2009
	£000	£000
Trade creditors	400	362
Amounts owed to group undertakings	18	5
Corporation tax	2	4
Other taxes and social security	11	9
Amounts owed to related undertakings	2	1
Accruals and deferred income	70	56
	<u>503</u>	<u>437</u>

**10 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.

**11 Deferred taxation**

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

	2010	2009
	£000	£000
Provision brought forward	-	2
Profit and loss account movement arising during the year	3	(2)
Provision carried forward	<u>3</u>	<u>-</u>

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

	2010	2009
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	<u>3</u>	<u>-</u>

## 12 Leasing commitments

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

	2010		2009	
	Land & Buildings £000	Other Items £000	Land & Buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	-	-	-	5
Within 2 to 5 years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>

## 13 Contingent liabilities

There are no contingent liabilities at 31 May 2010 or 31 May 2009.

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.

## 14 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 2010:

	Purchases £000	Sales £000	Owed to £000	Owed by £000
<b>2010</b>				
Churngold Recycling Limited	1	-	1	-
Churngold Remediation Limited	<u>6</u>	<u>86</u>	<u>1</u>	<u>86</u>
<b>2009</b>				
Churngold Recycling Limited	2	-	-	-
Churngold Remediation Limited	<u>5</u>	<u>-</u>	<u>1</u>	<u>-</u>

**15 Share capital**

	2010	2009
	£000	£000
Authorised share capital		
15,000 Ordinary shares of £1 each	<u>15</u>	<u>15</u>

	2010		2009	
	No	£000	No	£000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>9,800</u>	<u>10</u>	<u>9,800</u>	<u>10</u>

**16 Profit and loss account**

	2010	2009
	£000	£000
Balance brought forward	98	93
Profit for the financial year	9	5
Equity dividends paid	-	-
Balance carried forward	<u>107</u>	<u>98</u>

**17 Reconciliation of movements in shareholders' funds**

	2010	2009
	£000	£000
Profit for the financial year	9	5
Opening shareholders' equity funds	<u>108</u>	<u>103</u>
Closing shareholders' equity funds	<u>117</u>	<u>108</u>

**18 Capital commitments**

The directors have confirmed that there were no capital commitments at 31 May 2010 or 31 May 2009.

**19 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.