

**Churngold Construction Holdings Limited and its
subsidiary undertakings**

Financial statements

For the year ended 31 May 2007

Grant Thornton 

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 43 Queen Square BRISTOL BS1 4QR

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Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 May 2007.

Principal activities and business review

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

This year has seen continued solid performance throughout our core business with further margin improvements achieved from a broad contract base, including Retail, PFI, Healthcare and Education. Continued investment into health and safety, training and people continues to strengthen and grow the group and assist us in managing and controlling risk.

Future developments

The construction market continues to be buoyant in our core regions of South West and South Wales and we are confident that next year will be another year of strong progress with further growth of earnings and cash generation. A North West region has been established to service the needs of our customers and we will see this office undertake its first significant contract as part of the Lancashire Waste PFI, from new offices in Runcorn. Further significant capital investment will be made in the early part of the year as we push forward growth in our bulk earthworks activities.

Results and dividends

The trading results for the year and the position of the group and company at the end of the year are shown in the attached financial statements. Particulars of dividends proposed are detailed in note 10 to the financial statements.

Key performance indicators

		2007	2006	Change in the year
Financial metrics				
Group revenue	£000	29,740	25,144	+ 18%
Group earnings before interest, tax, depreciation, amortisation and central costs	£000	2,076	1,060	+ 96%
Work in hand as % of next year's budget	%	61	51	+ 20%
People				
Staff as at 31 May	Construction	197	163	
	Surfacing	9	17	
	Holdings	5	5	
	Total	211	185	+ 14%

Funding and risk management objectives and policies

The main risks arising are liquidity, credit and interest rate risks. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity

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

Credit Risk

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

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

Interest Rate Risk

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

Directors

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

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

Directors' responsibilities

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

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

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

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

In so far as the directors are aware:

- there is no relevant audit information of which the group's 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.

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
10 August 2007

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

We have audited the group and parent company financial statements ("the financial statements") of Churngold Construction Holdings Limited for the year ended 31 May 2007 which comprise the principal accounting policies, consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Bristol
10 August 2007

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

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

Turnover

Turnover is the total amount receivable for goods and services provided, net of VAT and trade discounts. In the case of long term contracts, turnover represents the sales value of work done in the year.

Goodwill

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

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

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

Investments

Investments are included at cost.

Finance lease agreements

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

Operating lease agreements

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

Pension costs

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

Deferred taxation

Deferred tax is recognised on 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 using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Long-term contracts

Turnover and related costs on each long-term contract are recorded in the profit and loss account as contract activity progresses. Turnover is calculated on the basis of the value of the work done. Attributable profit is calculated on a prudent basis for each contract by reference to the contract's cumulative turnover, total contract value and total profit estimated for the completed contract. Full provision is made for losses on a contract immediately they can be foreseen. Work in progress is included in amounts recoverable on long-term contracts.

Taxation

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

Share-based payment

This is the first accounting period to which FRS 20 'Share-Based Payment (IFRS 2)' applies.

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 so no change has been recognised.

Consolidated profit and loss account

	Note	2007 £000	2006 £000
Group turnover	1	29,740	25,144
Cost of sales		25,905	21,837
Gross profit		3,835	3,307
Other operating charges	2	2,701	2,845
Operating profit	3	1,134	462
Interest receivable	6	91	40
Interest payable and similar charges	7	(90)	(128)
Profit on ordinary activities before taxation		1,135	374
Tax on profit on ordinary activities	8	379	144
Profit for the financial year	25	756	230

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

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

Consolidated balance sheet

	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	11	354	426
Tangible assets	12	1,662	809
		<u>2,016</u>	<u>1,235</u>
Current assets			
Debtors	14	7,389	4,245
Cash at bank and in hand		2,645	2,304
		<u>10,034</u>	<u>6,549</u>
Creditors: amounts falling due within one year	15	9,403	6,007
Net current assets		<u>631</u>	<u>542</u>
Total assets less current liabilities		<u>2,647</u>	<u>1,777</u>
Creditors: amounts falling due after more than one year	16	933	670
		<u>1,714</u>	<u>1,107</u>
Provisions for liabilities			
Deferred taxation	20	79	26
		<u>1,635</u>	<u>1,081</u>
Capital and reserves			
Called-up equity share capital	24	6	6
Share premium account	25	269	269
Other reserves	25	385	385
Profit and loss account	25	975	421
Shareholders' funds	25	<u>1,635</u>	<u>1,081</u>

These financial statements were approved by the directors on 10 August 2007 and are signed on their behalf by:

J R Ancell
 Chairman

Company balance sheet

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	12	5	13
Investments	13	1,162	1,162
		<u>1,167</u>	<u>1,175</u>
Current assets			
Debtors	14	367	75
Cash at bank and in hand		27	147
		<u>394</u>	<u>222</u>
Creditors: amounts falling due within one year	15	525	452
Net current liabilities		<u>(131)</u>	<u>(230)</u>
Total assets less current liabilities		<u>1,036</u>	<u>945</u>
Creditors: amounts falling due after more than one year	16	180	270
		<u>856</u>	<u>675</u>
Capital and reserves			
Called-up equity share capital	24	6	6
Share premium account	25	269	269
Other reserves	25	385	385
Profit and loss account	25	196	15
Shareholders' funds		<u>856</u>	<u>675</u>

These financial statements were approved by the directors on 10 August 2007 and are signed on their behalf by:

J R Ancell (Chairman)

Consolidated cash flow statement

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	26	1,557	2,287
Returns on investments and servicing of finance	26	(6)	(84)
Taxation	26	(321)	(36)
Capital expenditure and financial investment	26	(64)	(61)
Cash inflow before financing		<u>1,166</u>	<u>2,106</u>
Financing	26	(825)	(317)
Increase in cash	26	<u>341</u>	<u>1,789</u>

The accompanying accounting policies and notes form part of these financial statements.

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:

	2007	2006
	£000	£000
United Kingdom	29,740	25,144

2 Other operating charges

	2007	2006
	£000	£000
Administrative expenses	2,701	2,845

3 Operating profit

Operating profit is stated after charging/(crediting):

	2007	2006
	£000	£000
Amortisation of goodwill	72	72
Depreciation of owned fixed assets	98	90
Depreciation of assets held under finance leases and hire purchase agreements	256	189
Profit on disposal of fixed assets	(32)	–
Auditor's remuneration:		
Audit fees	16	16
Non-audit fees	5	5
Operating lease costs:		
Plant and equipment	2,917	2,490
Other	68	55

4 Particulars of employees

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

	2007	2006
	No	No
Operatives	149	150
Administration and managerial	54	51
	203	201

The aggregate payroll costs of the above were:

	2007	2006
	£000	£000
Wages and salaries	7,072	6,236
Social security costs	676	618
Other pension costs	225	146
	7,973	7,000

5 Directors

Remuneration in respect of directors was as follows:

	2007	2006
	£000	£000
Fees and emoluments receivable	498	377
Value of company pension contributions to money purchase schemes	125	56
	623	433

Emoluments of highest paid director:

	2007	2006
	£000	£000
Total emoluments (excluding pension contributions)	205	157
Value of company pension contributions to money purchase schemes	54	31
	259	188

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

	2007	2006
	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 (2006 - one).

6 Interest receivable and similar income

	2007	2006
	£000	£000
Bank interest receivable	<u>91</u>	<u>40</u>

7 Interest payable and similar charges

	2007	2006
	£000	£000
Interest payable on bank borrowing	–	10
Loan stock interest	41	78
Finance charges payable under finance lease and hire purchase agreements	45	35
Interest on other loans	4	5
	<u>90</u>	<u>128</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007	2006
	£000	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	323	161
Under/(over) provision in prior year	3	(1)
Total current tax	<u>326</u>	<u>160</u>
Deferred tax:		
Origination and reversal of timing differences	53	(16)
Tax on profit on ordinary activities	<u>379</u>	<u>144</u>

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 lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%).

	2007	2006
	£000	£000
Profit on ordinary activities before taxation	1,135	374
Profit on ordinary activities multiplied by rate of tax	341	112
Expenses not deductible for tax purposes	22	20
Capital allowances for period (in excess of)/less than depreciation	(43)	16
Utilisation of tax losses	(18)	(8)
Under/(over) provision in previous year	3	(1)
Consolidation goodwill	21	21
Total current tax (note 8(a))	326	160

9 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £383,000 (2006 - £5,000).

10 Dividends

Dividends on shares classed as equity

	2007	2006
	£000	£000
Proposed at the year-end (recognised as a liability):		
Dividend on ordinary shares	202	-

11 Intangible fixed assets

Group	Goodwill
	£000
Cost	
At 1 June 2006 and 31 May 2007	720
Amortisation	
At 1 June 2006	294
Charge for the year	72
At 31 May 2007	366
Net book value	
At 31 May 2007	354
At 31 May 2006	426

11 Intangible fixed assets (continued)

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

12 Tangible fixed assets

Group	Plant & Machinery £000	Motor Vehicles £000	Leasehold improvements £000	Total £000
Cost				
At 1 June 2006	1,375	60	60	1,495
Additions	1,330	35	–	1,365
Disposals	(356)	–	–	(356)
At 31 May 2007	<u>2,349</u>	<u>95</u>	<u>60</u>	<u>2,504</u>
Depreciation				
At 1 June 2006	613	24	49	686
Charge for the year	326	20	8	354
On disposals	(198)	–	–	(198)
At 31 May 2007	<u>741</u>	<u>44</u>	<u>57</u>	<u>842</u>
Net book value				
At 31 May 2007	<u>1,608</u>	<u>51</u>	<u>3</u>	<u>1,662</u>
At 31 May 2006	<u>762</u>	<u>36</u>	<u>11</u>	<u>809</u>

Included within the net book value of £1,662,000 is £1,382,000 (2006 - £681,000) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £256,000 (2006 - £189,000).

12 Tangible fixed assets (continued)

Company	Plant & Machinery £000	Leasehold improvements £000	Total £ 000
Cost			
At 1 June 2006	7	22	29
Additions	1	–	1
At 31 May 2007	<u>8</u>	<u>22</u>	<u>30</u>
Depreciation			
At 1 June 2006	4	12	16
Charge for the year	2	7	9
At 31 May 2007	<u>6</u>	<u>19</u>	<u>25</u>
Net book value			
At 31 May 2007	<u>2</u>	<u>3</u>	<u>5</u>
At 31 May 2006	<u>3</u>	<u>10</u>	<u>13</u>

13 Investments

Company	Group companies £000
Cost	
At 1 June 2006 and 31 May 2007	<u>1,162</u>
Net book value	
At 31 May 2007	<u>1,162</u>
At 31 May 2006	<u>1,162</u>

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

* 100% shares held by Churngold Construction Limited

14 Debtors

	The group		The company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade debtors	1,050	1,163	–	–
Amounts owed by group undertakings	–	–	118	51
Amounts recoverable on contracts	5,552	2,479	–	–
Amounts owed by related undertakings	668	466	247	21
Other debtors	30	22	2	–
Prepayments and accrued income	89	115	–	3
	<u>7,389</u>	<u>4,245</u>	<u>367</u>	<u>75</u>

Included within trade debtors are amounts of £273,000 (2006 - £471,000) in respect of retentions falling due after more than one year.

15 Creditors: amounts falling due within one year

	The group		The company	
	2007 £000	2006 £000	2007 £000	2006 £000
Current instalments due on loans	90	361	90	361
Trade creditors	4,536	2,999	47	7
Amounts owed to group undertakings	–	–	–	3
Amounts due under finance leases and hire purchase agreements	459	165	–	–
Proposed dividends	202	–	202	–
Corporation tax	165	161	–	–
Other taxation and social security	619	817	14	19
Amounts owed to related undertakings	345	–	–	–
Accruals and deferred income	2,987	1,504	172	62
	<u>9,403</u>	<u>6,007</u>	<u>525</u>	<u>452</u>

16 Creditors: amounts falling due after more than one year

	The group		The company	
	2007 £000	2006 £000	2007 £000	2006 £000
Loans	180	270	180	270
Amounts due under finance leases and hire purchase agreements	685	400	–	–
Other loans	68	–	–	–
	<u>933</u>	<u>670</u>	<u>180</u>	<u>270</u>

17 Loans

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

	The group		The company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts repayable:				
In one year or less or on demand	90	361	90	361
In more than one year but not more than two years	90	90	90	90
In more than two years but not more than five years	90	180	90	180
	<u>270</u>	<u>631</u>	<u>270</u>	<u>631</u>
	2007	2006	2007	2006
	£000	£000	£000	£000
Wholly repayable within five years:				
7% fixed rate loan stock (a)	-	271	-	271
15% fixed rate loan stock (b)	270	360	270	360
	<u>270</u>	<u>631</u>	<u>270</u>	<u>631</u>

(a) Repaid in full on 1 June 2006 including a 4% accrual.

(b) Repayable in annual instalments of £90,000 commencing 1 June 2007.

All loan stock is secured on mortgage debentures.

18 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	The group		The company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts payable within 1 year	500	188	-	-
Amounts payable between 2 and 5 years	821	432	-	-
	<u>1,321</u>	<u>620</u>	<u>-</u>	<u>-</u>
Less interest and finance charges relating to future periods	(177)	(55)	-	-
	<u>1,144</u>	<u>565</u>	<u>-</u>	<u>-</u>

Finance leases and hire purchase agreements are analysed as follows:

Current obligations (note 15)	459	165	-	-
Non-current obligations (note 16)	685	400	-	-
	<u>1,144</u>	<u>565</u>	<u>-</u>	<u>-</u>

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

19 Pensions

The group operates defined contribution schemes for the benefit of all employees. The assets of the schemes are administered by trustees in a fund independent from those of the company.

20 Deferred taxation

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

	The group		The company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Provision brought forward	26	42	-	-
Increase/(decrease) in provision	53	(16)	-	-
Provision carried forward	<u>79</u>	<u>26</u>	<u>-</u>	<u>-</u>

Deferred taxation provided in the financial statements is as follows:

	Accelerated capital allowances	Short term timing differences	Total
	£000	£000	£000
At 1 June 2006	28	(2)	26
Movements during the year	54	(1)	53
At 31 May 2007	<u>82</u>	<u>(3)</u>	<u>79</u>

21 Commitments under operating leases

At 31 May 2007 the group had annual commitments under non-cancellable operating leases as set out below.

The group	2007		2006	
	Land and buildings	Other items	Land and Buildings	Other items
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	-	4	-	40
Within 2 to 5 years	75	224	55	245
	<u>75</u>	<u>228</u>	<u>55</u>	<u>285</u>

22 Contingencies

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £nil within the group as at 31 May 2007 (2006 - £255,000), £214,000 on behalf of Churngold Remediation Limited (2006: £nil) and £150,000 on behalf of JWS Churngold Limited (2006: £nil).

The company has a contingent liability in respect of a cross guarantee which secures the overdraft facility of Churngold Remediation Limited which amounted to £nil as at 31 May 2007 (2006: £nil).

23 Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Churngold Construction Holdings Limited group of companies for the year.

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

	Purchases	Sales	Owed to	Owed by
	£000	£000	£000	£000
2007				
Churngold Recycling Limited	1,388	220	345	11
Churngold Remediation Holdings Limited	–	93	–	–
Churngold Remediation Limited	345	123	–	422
JWS Churngold Limited	–	–	–	5
PD Edenhall Estates Limited	–	–	–	230
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2006				
Churngold Recycling Limited	1,204	226	–	47
Churngold Remediation Holdings Limited	–	132	–	14
Churngold Remediation Limited	148	109	–	405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included within loan stock balances as at 31 May 2007 are an amounts owed to related parties as follows:

	2007	2006
	£000	£000
J R Ancell (Director)	270	–
Bourse Trust Company Limited (of which J R Ancell is a beneficiary)	–	360
	<u> </u>	<u> </u>

24 Share capital

Authorised share capital:

	2007	2006
	£000	£000
1,000,000 'A' Ordinary shares of £0.10 each	100	100
1,000,000 'B' Ordinary shares of £0.10 each	100	100
	<u>200</u>	<u>200</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£000	No	£000
'A' Ordinary shares of £0.10 each	38,304	4	40,320	4
'B' Ordinary shares of £0.10 each	19,296	2	17,280	2
	<u>57,600</u>	<u>6</u>	<u>57,600</u>	<u>6</u>

25 Reconciliation of shareholders' funds and movement on reserves

Group	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total shareholders' equity funds
	£000	£000	£000	£000	£000
At 1 June 2006	6	269	385	421	1,081
Profit for the year	–	–	–	756	756
Equity dividends	–	–	–	(202)	(202)
At 31 May 2007	<u>6</u>	<u>269</u>	<u>385</u>	<u>975</u>	<u>1,635</u>

Company	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total shareholders' equity funds
	£000	£000	£000	£000	£000
At 1 June 2006	6	269	385	15	675
Profit for the year	–	–	–	383	383
Equity dividends	–	–	–	(202)	(202)
At 31 May 2007	<u>6</u>	<u>269</u>	<u>385</u>	<u>196</u>	<u>856</u>

26 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006
	£000	£000
Operating profit	1,134	462
Amortisation	72	72
Depreciation	354	279
Profit on disposal of fixed assets	(32)	–
(Increase)/decrease in debtors	(3,145)	1,651
Increase/(decrease) in creditors	3,174	(177)
Net cash inflow from operating activities	1,557	2,287

Returns on investments and servicing of finance

	2007	2006
	£000	£000
Interest received	91	40
Interest paid	(52)	(89)
Interest element of finance leases and hire purchase	(45)	(35)
Net cash outflow from returns on investments and servicing of finance	(6)	(84)

Taxation

	2007	2006
	£000	£000
Taxation	(321)	(36)

Capital expenditure

	2007	2006
	£000	£000
Payments to acquire tangible fixed assets	(254)	(61)
Receipts from sale of fixed assets	190	–
Net cash outflow from capital expenditure	(64)	(61)

Financing

	2007	2006
	£000	£000
Repayment of loan stock	(361)	(175)
Capital element of finance leases and hire purchase	(532)	(142)
Net inflow from other long-term loans	68	–
Net cash outflow from financing	(825)	(317)

26 Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net funds

	2007	2006
	£000	£000
Increase in cash in the period	341	1,789
Net cash outflow from loan stock	361	175
Cash outflow in respect of finance leases and hire purchase	532	142
Net cash inflow from other long-term loans	(68)	–
Cash inflow before financing	1,166	2,106
Loan note redemption premium	–	(9)
Finance leases and hire purchase contracts inception	(1,111)	(52)
Change in net funds	55	2,045
Opening net funds/(debt)	1,108	(937)
Closing net funds	1,163	1,108

Analysis of changes in net funds

	At	Cash flows	Other	At
	1 June 2006	£000	non-cash	31 May
	£000	£000	items	2007
			£000	£000
Net cash:				
Cash in hand and at bank	2,304	341	–	2,645
Debt:				
Loans	(631)	293	–	(338)
Finance leases and hire purchase agreements	(565)	532	(1,111)	(1,144)
	(1,196)	825	(1,111)	(1,482)
Net funds	1,108	1,166	(1,111)	1,163

27 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £190,000 (2006 - £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.