

Churngold Recycling Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2011

Churngold Recycling Limited

COMPANY INFORMATION

DIRECTORS

J R Ancell (Chairman)
J D Barcham (Managing Director)
R N Tredwin (Financial Director)
L Phelan (Operations Director)

SECRETARY

R N Tredwin

REGISTERED OFFICE

St Andrews House
St Andrews Road
Avonmouth
Bristol
BS11 9DQ

BANKERS

Bank of Scotland
21 Prince Street
Bristol
BS99 7JG

SOLICITORS

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
Hartwell House
55 - 61 Victoria Street
BRISTOL
BS1 6AD

Churngold Recycling Limited

REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the company for the year ended 31 May 2011.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are waste and recycling activities, the supply of tipper lorries and plant and the operation of inert landfill sites.

Continued investment has been made into the four acre freehold transfer station yard in Avonmouth which has this year achieved a permit for the treatment of hazardous soils and launch of its soil surgery. In addition to the treatment of hazardous materials, the transfer station holds a waste environmental permit, exemption from environmental permitting for crushing and screening hardcore, processing waste materials and non-hazardous soils.

With the licences and permits held the business will now provide a sustainable waste management solution diverting waste material that would historically have gone direct to landfill.

Our joint venture with Tarmac, Tarmac and Churngold Recycled Aggregates Limited is trading in line with expectations and is progressing a significant planning application for the importation of inert materials to a quarry as part of the long term restoration plans for the site.

FUTURE DEVELOPMENTS

The business has established a strong and solid platform from which to grow, with the company's waste and recycling activities, permitted and licensed transfer station and significant inert landfill tipping void seen as offering considerable potential for development and expansion.

The lower trading activities reflect the wider uncertainty within the construction market and we see this remaining challenging for at least the next 12 months.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3,000 (2010: £7,000). No dividend (2010: £600,000) was recorded or paid during the year.

KEY PERFORMANCE INDICATORS

Financial metrics		2011	2010	Change in the year
Revenue	£000	8,910	8,111	10%
Earnings before interest, tax, depreciation, amortisation and central management charges	£000	702	811	(13%)
Average debtor days	Days	67	67	-
People				
Staff as at 31 May	No	57	60	(5%)
Vehicles				
HGV tipper and waste lorries	No	35	38	(8%)
Controlled void (inert) consented	m3	987,000	1,042,000	(5%)
Controlled void (inert) unconsented	m3	600,000	600,000	-
	m3	<u>1,587,000</u>	<u>1,642,000</u>	<u>(3%)</u>

The Directors consider the KPI's acceptable in the current economic climate.

Churngold Recycling Limited

REPORT OF THE DIRECTORS *(continued)*

FUNDING AND RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Liquidity

The company uses loan stock funds provided by the directors, hire purchase facilities provided by a selection of major high street lenders and overdraft facilities provided by Bank of Scotland to fund the business. At the year end the company has access to undrawn committed borrowing facilities of £750,000 (2010: £750,000), renewed in August 2011 for a period of 12 months. The maturity profile of committed banking facilities is regularly reviewed and such facilities are extended or replaced well in advance of their expiry.

The company does not enter into speculative financial transactions and uses financial instruments (e.g. Trade Credit Insurance) for certain risk management purposes.

Credit Risk

The company's principal financial assets are cash and trade debtors. The company limits deposits to short term deposits with its bankers. The principal credit risk arises therefore from its debtors. In order to manage this risk, larger customer accounts are credit insured, where available. The remaining credit risks are assessed through a mixture of payment history, third party credit references and an internet based credit system. Credit limits are regularly reviewed by the credit controller in conjunction with debt ageing and collection history.

Interest Rate Risk

The company reduces exposure to interest rates through a mixture of fixed rate loan stock and hire purchase contracts and variable rate interest rates for the overdraft facilities. The mortgage loan interest rate is hedged for periods of between 3 and 12 months.

Environmental Risk

The business operates in an area where environmental regulation is constantly changing. In addition to the wealth of experience within the company, third party qualified advisers are utilised for chemical testing, planning submissions, health and safety and licence/exemption applications to ensure that risks are controlled.

DIRECTORS

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

J R Ancell
J D Barcham
R N Tredwin
L Phelan (appointed 21 April 2011)

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Churngold Recycling Limited

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 auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

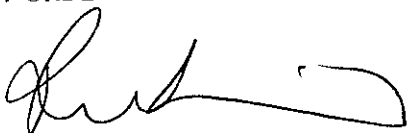
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

Grant Thornton UK LLP resigned as auditors during the year and Baker Tilly UK Audit LLP were appointed.

Baker Tilly UK Audit 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
10 August 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHURNGOLD RECYCLING LIMITED

We have audited the financial statements on pages 7 to 22. 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 more fully explained in the Directors' Responsibilities Statement set out on pages 4 to 5, 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 and express an opinion on 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/private.cfm.

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 2011 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.

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

Baker Tilly UK Audit LLP

ANDREW ALLCHIN (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Date:

10-08-2011

Churngold Recycling Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2011

	Note	2011 £000	2010 £000
TURNOVER	2	8,910	8,111
Cost of sales		(7,846)	(6,888)
		<u>1,064</u>	<u>1,223</u>
GROSS PROFIT		(987)	(1,149)
Administrative expenses			
	3	77	74
OPERATING PROFIT	6	1	11
Interest receivable	7	(64)	(70)
Interest payable and similar charges			
		<u>14</u>	<u>15</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	(11)	(8)
Tax on profit on ordinary activities			
	25	3	7
PROFIT FOR THE FINANCIAL YEAR		<u><u>3</u></u>	<u><u>7</u></u>

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.

Churngold Recycling Limited

BALANCE SHEET

as at 31 May 2011

	Note	2011 £000	2010 £000
FIXED ASSETS			
Tangible assets	10	3,112	3,464
Investments	11	85	85
		<u>3,197</u>	<u>3,549</u>
CURRENT ASSETS			
Debtors	12	2,231	2,530
Cash at bank and in hand		10	266
		<u>2,241</u>	<u>2,796</u>
CREDITORS: amounts falling due within one year	13	2,407	3,174
		<u>(166)</u>	<u>(378)</u>
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES		3,031	3,171
CREDITORS: amounts falling due after more than one year	14	1,467	1,584
		<u>1,564</u>	<u>1,587</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	18	28	54
Government grants	19	-	-
		<u>1,536</u>	<u>1,533</u>
CAPITAL AND RESERVES			
Share capital	23	-	-
Revaluation reserve	24	278	278
Profit and loss account	25	1,258	1,255
		<u>1,536</u>	<u>1,533</u>
SHAREHOLDERS FUNDS			
	26	<u>1,536</u>	<u>1,533</u>

These financial statements on pages 7 to 22 were approved and authorised for issue by the directors on 10 August 2011 and are signed on their behalf by:



J R Ancell
Chairman

Churngold Recycling Limited

CASH FLOW STATEMENT

for the year ended 31 May 2011

	Note	2011 £000	2010 £000
Net cash inflow from operating activities	27	381	404
Returns on investments and servicing of finance	27	(63)	(759)
Taxation	27	4	(80)
Capital expenditure and financial investment	27	145	(23)
		<u>467</u>	<u>(458)</u>
Cash inflow / (outflow) before financing			
Financing	27	(723)	(160)
		<u>(256)</u>	<u>(618)</u>
Decrease in cash	27		

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

1. PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable UK accounting standards.

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

TURNOVER

Turnover is the total amount receivable for goods and services provided, net of VAT and trade discounts.

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, other than freehold land, over the useful economic life of that asset as follows:

Freehold Building	- over 40 years (straight line)
Plant & Machinery	- over 1 to 7 years (straight line)
Motor Vehicles	- over 4 to 6 years (straight line)
Leasehold Improvements	- over the life of the lease (straight line)

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.

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.

In the opinion of the directors the potential charge arising under FRS 20 is not material to these financial statements so no charge has been recognised

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

JOINT VENTURES

In the opinion of the directors, the joint venture is not a significant part of business and has not been equity accounted in these financial statements. The joint venture has been included at cost less amounts written off and the results of the joint venture are included in note 11.

GOVERNMENT GRANTS

Government grants in respect of capital expenditure are credited to provisions for liabilities and other charges and released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2011 £000	2010 £000
United Kingdom	<u>8,910</u>	<u>8,111</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2011 £000	2010 £000
Amortisation of government grants re fixed assets	-	(8)
Depreciation of owned fixed assets	187	211
Depreciation of assets held under hire purchase agreements	438	440
Profit on disposal of fixed assets	(105)	(103)
Auditor's remuneration:		
Audit fees	-	4
– Grant Thornton UK LLP	3	-
– Baker Tilly UK Audit LLP	-	9
Non-audit fees	2	-
– Grant Thornton UK LLP		
– Baker Tilly Tax and Accounting Limited		
Operating lease costs:		
Plant and equipment	195	140
Other	8	100

Churngold Recycling Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2011

4. DIRECTORS AND EMPLOYEES

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

	2011 No	2010 No
Operatives	44	46
Administration and managerial	16	15
	<u>60</u>	<u>61</u>

The aggregate payroll costs of the above were:

	2011 £000	2010 £000
Wages and salaries	1,492	1,569
Social security costs	145	160
Other pension costs	-	28
	<u>1,637</u>	<u>1,757</u>

5. DIRECTORS

Remuneration in respect of directors was as follows:

	2011 £000	2010 £000
Emoluments receivable	80	108
Value of company pension contributions to money purchase schemes	-	21
Unrealised gain made on exercise of EMI share options	-	12
	<u>80</u>	<u>141</u>

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

	2011	2010
Money purchase schemes	<u>1</u>	<u>1</u>

Share options have been issued to certain directors which will be satisfied from existing share capital. No director exercised share options during the year (2010: one).

6. INTEREST RECEIVABLE

	2011 £000	2010 £000
Bank interest receivable	1	6
Interest receivable from related undertakings	-	5
	<u>1</u>	<u>11</u>

Churngold Recycling Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2011

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £000	2010 £000
Interest payable on bank borrowing	21	22
Finance charges payable under hire purchase agreements	28	46
Interest payable on loan notes	11	2
Other interest	4	-
	<u>64</u>	<u>70</u>

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2011 £000	2010 £000
Current tax		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2010: 28%)	37	23
	<u>37</u>	<u>23</u>
Total current tax		
Deferred tax	(26)	(15)
Origination and reversal of timing differences (note 18)		
	<u>11</u>	<u>8</u>
Tax on profit on ordinary activities		

(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 % (2010: 28%).

	2011 £000	2010 £000
Profit on ordinary activities before taxation	<u>14</u>	<u>15</u>
Profit on ordinary activities by rate of tax	4	4
Expenses not deductible for tax purposes	11	6
Capital allowances for year less than depreciation	24	15
Differences between standard and actual rate	(2)	(2)
	<u>37</u>	<u>23</u>
Current tax (note 8(a))		

9. DIVIDENDS

	2011 £000	2010 £000
Declared at the year-end (recognised as a liability):		
Equity dividends on ordinary shares	<u>-</u>	<u>-</u>
Paid during the year:		
Equity dividends on ordinary shares	<u>-</u>	<u>600</u>

Churngold Recycling Limited
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 May 2011

10. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £000	Plant & Machinery £000	Motor Vehicles £000	Leasehold Improvements £000	Total £000
Cost or valuation					
At 1 June 2010	1,978	1,452	2,353	21	5,804
Additions	13	148	233	-	394
Disposals	-	(442)	(300)	-	(742)
At 31 May 2011	<u>1,991</u>	<u>1,158</u>	<u>2,286</u>	<u>21</u>	<u>5,456</u>
Depreciation					
At 1 June 2010	73	804	1,442	21	2,340
Charge for the year	32	239	354	-	625
On disposal	-	(359)	(262)	-	(621)
At 31 May 2011	<u>105</u>	<u>684</u>	<u>1,534</u>	<u>21</u>	<u>2,344</u>
Net book value					
At 31 May 2011	<u>1,886</u>	<u>474</u>	<u>752</u>	<u>-</u>	<u>3,112</u>
At 31 May 2010	<u>1,905</u>	<u>648</u>	<u>911</u>	<u>-</u>	<u>3,464</u>

Included within the net book value of £3,112,000 is £1,036,000 (2010: £959,000) 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 £438,000 (2010: £440,000).

The freehold property was revalued on 31st May 2007 by CB Richard Ellis Limited. The basis of the valuation used was existing use.

The surplus has been transferred to the revaluation reserve. The directors carried out an interim valuation of the land and buildings as at 31 May 2011 and have concluded based upon recent neighbouring land sales that the carrying valuation is appropriate.

The effect of the revaluation has been to increase the depreciation charge by £nil. If the freehold property had not been revalued, it would have been included on the historical cost basis at £1,608,000 (2010: £1,627,000).

The directors consider that, were the property to be sold for its net book value, tax of £nil (2010: £nil) would be payable.

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

11. INVESTMENTS

Joint venture	£000
Cost	
At 1 June 2010	85
Additions	-
At 31 May 2011	<u>85</u>
Net book value	
At 31 May 2011	<u>85</u>
At 31 May 2010	<u>85</u>

The investment, a joint venture, represents a 50% stake in Tarmac and Churngold Recycled Aggregates Limited, a company which is not audited, registered in England and Wales and engaged in recycled aggregates. The Company's share of the joint venture as at 31 December is as follows:

	2010 £000	2009 £000
Turnover	717	756
Loss before tax	(52)	(12)
Taxation	-	(6)
Loss after tax	(52)	(18)
Fixed assets	-	-
Current assets	207	320
Liabilities due within one year	257	214
Liabilities due after one year or more	-	-

12. DEBTORS

	2011 £000	2010 £000
Trade debtors	1,628	1,673
Amounts owed by related undertakings	286	459
Other debtors	166	170
Prepayments and accrued income	151	228
	<u>2,231</u>	<u>2,530</u>

Included in amounts owed by related undertakings is £nil (2010: £58,000) due after more than one year.

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £000	2010 £000
Bank loans	60	60
Loan stock	63	152
Trade creditors	1,204	1,681
Corporation tax	37	-
Other taxation and social security	153	126
Amounts due under hire purchase agreements	224	417
Amounts owed to related undertakings	9	21
Accruals and deferred income	657	717
	<u>2,407</u>	<u>3,174</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £000	2010 £000
Bank loans	805	865
Amounts due under hire purchase agreements	262	269
Loan stock	400	450
	<u>1,467</u>	<u>1,584</u>

15. LOANS

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

	2011 £000	2010 £000
Amounts repayable:		
In one year or less or on demand	123	212
In more than one year but not more than two years	160	110
In more than two years but not more than five years	480	480
In more than five years	565	725
	<u>1,328</u>	<u>1,527</u>
	2011 £000	2010 £000
Not wholly repayable within five years:		
Bank loan and loan stock	865	1,527
	<u>865</u>	<u>1,527</u>

The bank loan is repayable in monthly instalments of £5,000 commencing 30 June 2006 and bears interest at 1.4% above LIBOR. The bank holds a fixed charge over the property purchased on 31 May 2005 and a keyman life assurance policy.

A further loan was issued on 25 March 2010 in the amount of £600,000 and interest is being accrued at a rate of 1.5% above bank base rate. The first repayment of £150,000 was made on 10 January 2011 with further £50,000 repayments on 10 January and 1 June through to 1 January 2016. The loan is secured by a second charge on the freehold property.

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

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

	2011 £000	2010 £000
Amounts payable within 1 year	237	438
Amounts payable between 2 to 5 years	273	316
	<u>510</u>	<u>754</u>
Less interest and finance charges relating to future periods	(24)	(68)
	<u>486</u>	<u>686</u>
Hire purchase agreements are analysed as follows:		
Current obligations	224	417
Non-current obligations	262	269
	<u>486</u>	<u>686</u>

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

17. PENSIONS

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

18. DEFERRED TAXATION

	2011 £000	2010 £000
Provision brought forward	54	69
Profit and loss account movement arising during the year	(26)	(15)
	<u>28</u>	<u>54</u>
Provision carried forward	<u>28</u>	<u>54</u>

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

	2011 £000	2010 £000
Excess of taxation allowances over depreciation on fixed assets	<u>28</u>	<u>54</u>

Churngold Recycling Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2011

19. GOVERNMENT GRANTS

	2011 £000
Received and receivable:	
At 1 June 2010	87
At 31 May 2011	<u>87</u>
Amortisation:	
At 1 June 2010	87
Credit to profit and loss account	-
At 31 May 2011	<u>87</u>
Net balance at 1 June 2010 and 31 May 2011	<u>-</u>

A government grant was received during the year ended 31 May 2004 to subsidise the purchase of fixed assets for use in the business. The assets funded by the grant are considered to have an economic life of 6 years. The income has been spread over this period and is released to the profit and loss account each year to offset the depreciation charged on the relevant assets.

20. LEASING COMMITMENTS

At 31 May 2011 the company had annual commitments under non-cancellable operating leases as set out below.

	2011		2010	
	Land & Buildings £000	Other Items £000	Land & Buildings £000	Other Items £000
Operating leases which expire				
Within 1 year	12	-	20	-
Within 2 to 5 years	-	-	36	-
After more than 5 years	-	-	-	-
	<u>12</u>	<u>-</u>	<u>56</u>	<u>-</u>

21. CONTINGENT LIABILITIES

There are contingent liabilities in respect of performance guarantees entered into in the normal course of business amounting to £109,000 as at 31 May 2011 (2010: £55,000).

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

22. ULTIMATE CONTROLLING RELATED PARTY AND RELATED PARTY TRANSACTIONS

The directors consider that J R Ancell is the company's controlling related party by virtue of his beneficial shareholding.

During the year the company undertook the following transactions and had amounts owing to/from members of the Churngold Remediation Holdings Limited group, Churngold Construction Holdings Limited group, Lulsgate Properties Limited, Churngold Building Services Limited and JWS Churngold Limited, entities where J R Ancell is either a director and/or has an interest in more than 20% of the voting rights, and Tarmac and Churngold Recycled Aggregates Limited, an entity of which the company owns 50% of the ordinary share capital:

	Purchases £000	Sales £000	Owed to £000	Owed by £000
2011				
Churngold Construction Holdings Limited	2	1	1	-
Churngold Construction Limited	170	1,823	3	102
Churngold Surfacing Limited	-	6	-	2
Lulsgate Properties Limited	8	-	-	63
Churngold Remediation Limited	1	5	-	-
Tarmac and Churngold Recycled Aggregates Limited	44	781	5	95
Churngold Building Services Limited	-	1	-	-
JWS Churngold Limited	-	145	-	24
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2010				
Churngold Construction Holdings Limited	86	-	6	-
Churngold Construction Limited	90	981	14	290
Churngold Surfacing Limited	-	1	-	1
Lulsgate Properties Limited	37	-	-	60
Churngold Remediation Limited	32	133	-	3
Tarmac and Churngold Recycled Aggregates Limited	68	619	1	105
Churngold Building Services Limited	-	4	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included within loans and loan note balances are amounts owed to directors and related parties as follows:

	2011 £000	2010 £000
Bourse Trust Company Limited	325	422
J D Barcham	92	120
R N Tredwin	46	60
	<u> </u>	<u> </u>
	463	602
	<u> </u>	<u> </u>

Bourse Trust Company Limited is a substantial shareholder in Churngold Recycling Limited.

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

23. SHARE CAPITAL

	2011		2010	
	No	1p	No	1p
Allotted, called up and fully paid:				
Ordinary 'A' shares of £0.01 each	70	70	70	70
Ordinary 'B' shares of £0.01 each	30	30	30	30
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Full details concerning the rights and restrictions attaching to the different classes of shares are contained in the Articles of Association.

24. REVALUATION RESERVE

	2011	2010
	£000	£000
Balance brought forward	278	278
Revaluation of fixed assets	-	-
Balance carried forward	<u>278</u>	<u>278</u>

25. PROFIT AND LOSS ACCOUNT

	2011	2010
	£000	£000
Balance brought forward	1,255	1,848
Profit for the financial year	3	7
Equity dividends	-	(600)
Balance carried forward	<u>1,258</u>	<u>1,255</u>

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2011	2010
	£000	£000
Profit for the financial year	3	7
Equity dividends paid or proposed	-	(600)
Net addition / (reduction) to shareholders' funds	<u>3</u>	<u>(593)</u>
Opening shareholders' funds	1,533	2,126
Closing shareholders' funds	<u>1,536</u>	<u>1,533</u>

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

27. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash inflow from operating activities

	2011 £000	2010 £000
Operating profit	77	74
Depreciation	625	651
Profit on disposal of fixed assets	(105)	(103)
Amortisation of government grants	-	(8)
Decrease/(increase) in debtors	295	(518)
(Decrease)/increase in creditors	(511)	308
Net cash inflow from operating activities	<u>381</u>	<u>404</u>

Returns on investments and servicing of finance

	2011 £000	2010 £000
Dividends paid	-	(700)
Interest received	1	11
Interest paid	(36)	(24)
Interest element of hire purchase	(28)	(46)
Net cash outflow from returns on investments and servicing of finance	<u>(63)</u>	<u>(759)</u>

Taxation	2011 £000	2010 £000
Taxation refunded / (paid)	<u>4</u>	<u>(80)</u>

Capital expenditure

	2011 £000	2010 £000
Payments to acquire tangible fixed assets	(81)	(61)
Receipts from sale of fixed assets	226	108
Purchase of investments	-	(70)
Net cash outflow from capital expenditure	<u>145</u>	<u>(23)</u>

Financing

	2011 £000	2010 £000
Repayment of related party loan	(150)	(120)
Repayment of bank loans	(60)	(60)
Capital element of finance leases and hire purchase	(513)	(580)
Issue of loan notes	-	600
Net cash outflow from financing	<u>(723)</u>	<u>(160)</u>

Churngold Recycling Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 May 2011

27. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

Reconciliation of net cash flow to movement in net debt

	2011 £000	2010 £000
Decrease in cash in the period	(256)	(618)
Net cash outflow from loan repayments	150	120
Net cash outflow from bank loans	60	60
Cash outflow in respect of hire purchase	513	580
Accrued loan interest	(11)	(2)
Net cash inflow from loans from related undertakings	-	(600)
	<u>456</u>	<u>(460)</u>
Change in net debt resulting from cash flows	456	(460)
New finance leases and hire purchase arrangements	(313)	(229)
Net debt at 1 June 2010	(1,947)	(1,258)
	<u>(1,804)</u>	<u>(1,947)</u>
Net debt at 31 May 2011	<u>(1,804)</u>	<u>(1,947)</u>

Analysis of changes in net debt

	At 1 June 2010 £000	Cash flows £000	Other changes £000	At 31 May 2011 £000
Net cash:				
Cash in hand and at bank	266	(256)	-	10
	<u>266</u>	<u>(256)</u>	<u>-</u>	<u>10</u>
Debt:				
Debt due within 1 year	(212)	210	(121)	(123)
Debt due after 1 year	(1,315)	-	110	(1,205)
Hire purchase agreements	(686)	513	(313)	(486)
	<u>(2,213)</u>	<u>723</u>	<u>(324)</u>	<u>(1,814)</u>
	<u>(1,947)</u>	<u>467</u>	<u>(324)</u>	<u>(1,804)</u>
Net debt	<u>(1,947)</u>	<u>467</u>	<u>(324)</u>	<u>(1,804)</u>

The other changes in debt relate to an ageing transfer between short and long term creditors and an interest accrual of £11,000. The other changes in hire purchase agreements relate to new finance lease agreements taken out in the year.

28. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £nil (2010: £86,000).