

Registered number: 2565379

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



ERIC WRIGHT CIVIL ENGINEERING LIMITED

COMPANY INFORMATION

Directors	RE Wright JP Hartley ED Bourne CW Kippax G Hulme
Company secretary	M Kumar
Registered number	2565379
Registered office	Sceptre House Sceptre Way Bamber Bridge Preston PR5 6AW
Independent auditor	KPMG LLP, Statutory Auditor 1, St Peter's Square Manchester M2 3AE

ERIC WRIGHT CIVIL ENGINEERING LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 22

ERIC WRIGHT CIVIL ENGINEERING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Enhanced Business review

The results for the year and financial position of the Company ("EWCE") are as shown in the financial statements on pages 8 to 22.

Throughout 2018 the business has continued to build on its reputation for working closely with our clients to meet their objectives in a true partnership arrangement. Our clients include national and statutory bodies such as United Utilities, Network Rail, Local Authorities and a number of private clients and developers.

The management team have continued to review its processes for identification and management of both risk and opportunity to provide a stronger and more stable foundation for the business going forward.

We have continued to invest in our accreditations and industry memberships. We believe that these provide independent verification of our professional management systems and continuous improvement objectives and achievements.

EWCE is an active member of the Civil Engineering Contractors Association; the Company is also an approved Construction Online contractor and registered with Achilles Linkup for Rail work. In respect of the Rail sector, EWCE hold a Full Principal Contractors Licence allowing EWCE to undertake works directly for Network Rail.

Principal risks and uncertainties

The business continues to operate in a very competitive market particularly with public sector clients who continue to be affected by public sector austerity resulting in low margins.

Rail is a potential growth area for the company although the number of work opportunities direct for network rail, due to their funding issues, has been disappointing. This is not expected to change significantly until the next control period CP6 which will operate between 2019 – 2024. Therefore to support the business we developed relationships with key Tier 1 rail contractors and worked on some key projects as a supply chain partner.

There remains a significant amount of uncertainty in relation to the outcome and impact of Brexit. Review and assessment of the potential risks to the Company is ongoing as more information emerges and the business is well placed to manage the changes to the economic environments in which it operates.

Performance and development during the year

Workload trends continued to improve, since we took the decision in 2017, to target larger key projects in line with our long term objectives. We have been successful in this strategy which resulted in a 60% increase in infrastructure projects turnover from 2017 to 2018. We also continue to deliver our United Utilities contracts. Going forward water related projects will be delivered directly through Eric Wright Water Limited so we expect a managed reduction in turnover for EWCE as we migrate these contracts.

Within the business unit margins and profitability continue to remain challenging. The trend of improved opportunities and work winning continues strongly into 2019. The work stream also delivers the same capabilities to our rail clients with specialist safety critical roles now in place and a significant number of employees qualified to work on the rail infrastructure.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Performance and development during the year (continued)

The Company's ongoing operations show a slight decrease in the year with a turnover of £45.6m (2017: £46.2m) and loss before tax of £67,594 (2017: loss of £595,912). Commercially 2018 has again been a difficult trading year; margins in infrastructure have been low and competition high. The results for 2018 are in line with the original business plan and reflect the growth strategy alongside the extremely difficult market conditions.

The management of the Company will continue to take a strategic approach to risk; not chasing work volume at the expense of financial stability. The strengthening of operations in specialist market sectors, as noted earlier in this review, will reduce the impact from any public spending cuts.

The Company's long term objective is to achieve a positive net return for both its Infrastructure and Rail businesses. The Infrastructure and Rail business performance is reviewed in the context of the increasingly difficult competitive market we operate in. With the current order book, a profit for 2019 is projected. The target is monitored on a monthly basis to take into account contract performance, delayed awards and outstanding turnover.

The monitoring and review process for both businesses is part of a wider management accounting procedure which also addresses overhead expenditure, resource allocation and commercial opportunities. Cash collection also remains a key focus for management with regular reports circulated and actions taken to address outstanding amounts. Of similar importance is the cash flow down to our supply chain as we need to support their stability in order that they remain in the market and continue to provide quality service to the company. Failure of key supply chain members is an on-going risk in the current climate.

Targets and key performance indicators

The directors monitor key performance indicators to ensure they are within acceptable parameters. These include;

- Gross and net profit percentage by contract
- Turnover secured against target
- Health and safety indicators
- Contract delivery performance and aftercare service
- Quality indicators

Targets are established as an integral part of the annual business planning process. Progress against targets is monitored monthly at Group board level.

Outlook for 2019

EWCE workload projection for 2019 is in excess of £50m, although management are committed to securing these levels of work, focus will remain on ensuring that levels of risk inherent in each opportunity are properly identified and managed.

This report was approved by the board on 28 June 2019 and signed on its behalf.



ED Bourne
Director

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The principal activities of the Company in the year under review were that of building, civil engineering and mechanical & electrical (to the water industry) contracting.

Results and dividends

The loss for the year, after taxation, amounted to £67,001 (2017 - loss £594,355).

No dividends were distributed for the year ended 31 December 2018 (2017: £NIL).

Directors

The Directors who served during the year were:

RE Wright
JP Hartley
ED Bourne
CW Kippax
G Hulme

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

AUDITOR

The auditor, KPMG LLP, Statutory Auditor, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006

This report was approved by the board on 28 June 2019 and signed on its behalf.



ED Bourne
Director

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors are responsible for preparing the Strategic report, 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 applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they 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 judgments 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIC WRIGHT CIVIL ENGINEERING LIMITED

Opinion

We have audited the financial statements of Eric Wright Civil Engineering Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIC WRIGHT CIVIL ENGINEERING LIMITED (CONTINUED)

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIC WRIGHT CIVIL ENGINEERING LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in the Directors' responsibilities statement on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Liam Finnigan (Senior statutory auditor)

for and on behalf of
KPMG LLP, Statutory Auditor

1, St Peter's Square
Manchester
M2 3AE

28 June 2019

ERIC WRIGHT CIVIL ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	3	45,561,733	46,211,619
Cost of sales		(44,750,061)	(45,575,703)
Gross profit		811,672	635,916
Administrative expenses		(879,674)	(1,232,548)
Operating loss	4	(68,002)	(596,632)
Interest receivable and similar income	7	408	720
Loss before tax		(67,594)	(595,912)
Tax on loss	8	593	1,557
Loss for the financial year		(67,001)	(594,355)
Other comprehensive loss for the year		-	-
Total comprehensive loss for the year		(67,001)	(594,355)

The notes on pages 11 to 22 form part of these financial statements.

ERIC WRIGHT CIVIL ENGINEERING LIMITED
REGISTERED NUMBER: 2565379

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	9	12,779	16,201
Investments	10	2,179,202	2,179,202
		<u>2,191,981</u>	<u>2,195,403</u>
Current assets			
Debtors: amounts falling due within one year	11	10,667,652	10,828,651
Cash at bank and in hand		1,041	1,760
		<u>10,668,693</u>	<u>10,830,411</u>
Creditors: amounts falling due within one year	12	(11,652,594)	(11,750,733)
Net current liabilities		(983,901)	(920,322)
Total assets less current liabilities		1,208,080	1,275,081
Net assets		1,208,080	1,275,081
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account		1,207,080	1,274,081
Shareholders' funds		1,208,080	1,275,081

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 June 2019.

E Diane Bourne

ED Bourne
Director

The notes on pages 11 to 22 form part of these financial statements.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1,000	1,274,081	1,275,081
Comprehensive loss for the year			
Loss for the year	-	(67,001)	(67,001)
Total comprehensive loss for the year	-	(67,001)	(67,001)
At 31 December 2018	1,000	1,207,080	1,208,080

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1,000	1,868,436	1,869,436
Comprehensive loss for the year			
Loss for the year	-	(594,355)	(594,355)
Total comprehensive loss for the year	-	(594,355)	(594,355)
At 31 December 2017	1,000	1,274,081	1,275,081

The notes on pages 11 to 22 form part of these financial statements.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

Eric Wright Civil Engineering Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of Henmead Limited as at 31 December 2018 and these financial statements may be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ. The company is a qualifying entity.

The accounting policies set out below have, unless otherwise stated been applied consistently to periods presented in these statements.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.3 Going concern

At 31 December 2018 Eric Wright Civil Engineering Limited ("the company") had net current liabilities of £983,901 (2017 - £920,322). The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors of Henmead Limited have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds, through funding from its existing facilities to meet its liabilities as they fall due for that period.

Henmead Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 Turnover

Turnover, which is stated net of VAT, represents the value of work done in the year including estimates of amounts not invoiced and adjustments relating to prior years which have been agreed during the year.

1.5 Long term contracts and amounts recoverable on contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated by reference to the costs incurred as a proportion of the total anticipated contract costs, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	-	20% on reducing balance
Motor vehicles	-	25% on reducing balance
Fixtures and fittings	-	20% on reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.12 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

1.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Revenue and profits on long term contracts are recognised based on the percentage complete and the estimated project outcome. Provision is made for any losses as soon as they are foreseen based on the directors best estimate of total costs to be incurred above revenues.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Civil Engineering services	<u>45,561,733</u>	<u>46,211,619</u>

All turnover arose within the United Kingdom.

4. Expenses and Auditor's Remuneration

Included in the operating loss are the following:

	2018 £	2017 £
Depreciation of tangible fixed assets	6,563	11,365
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	6,963	5,885
Defined contribution pension cost	<u>192,145</u>	<u>122,317</u>

Fees in relation to other services and taxation are borne by Eric Wright Group Limited.

5. Employees

Staff costs, including Directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	1,995,996	1,646,574
Social security costs	223,866	180,738
Cost of defined contribution scheme	192,145	122,317
	<u>2,412,007</u>	<u>1,949,629</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Administration	31	29
Construction	11	12
	<u>42</u>	<u>41</u>

ERIC WRIGHT CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	265,594	276,008
Directors pension costs	42,549	46,730
	<u>308,143</u>	<u>322,738</u>

During the year retirement benefits were accruing to 3 Directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £98,448 (2017 - £95,175).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £18,484 (2017 - £14,236).

ERIC WRIGHT CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	408	720

8. Taxation

	2018 £	2017 £
Corporation tax		
Adjustments in respect of previous periods	719	722
Total current tax	719	722
Deferred tax		
Origination and reversal of timing differences	(1,314)	(2,446)
Adjustments in respect of prior years	2	167
Total deferred tax	(1,312)	(2,279)
Taxation on loss	(593)	(1,557)

ERIC WRIGHT CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Taxation (continued)

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss before tax	<u>(67,594)</u>	<u>(595,912)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(12,843)	(114,693)
Effects of:		
Expenses not deductible for tax purposes	1,314	924
Non-taxable income	(675)	-
Adjustments to tax charge in respect of prior periods	719	889
Group relief surrendered	10,735	111,001
Adjustments in respect of prior periods - Deferred tax	2	-
Impact of change in deferred tax rates and difference between current and deferred tax rates	155	322
Total tax credit for the year	<u>(593)</u>	<u>(1,557)</u>

Factors that may affect future tax charges

The UK corporation tax rate had been 20% since 1 April 2015. The rate reduced to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on a rate of 17% as this is the prevailing rate at which the company expects the deferred tax asset to reverse.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 January 2018	40,195	14,999	96,297	151,491
Additions	-	-	3,141	3,141
At 31 December 2018	<u>40,195</u>	<u>14,999</u>	<u>99,438</u>	<u>154,632</u>
Depreciation				
At 1 January 2018	33,920	12,365	89,005	135,290
Charge for the year on owned assets	1,055	1,116	4,392	6,563
At 31 December 2018	<u>34,975</u>	<u>13,481</u>	<u>93,397</u>	<u>141,853</u>
Net book value				
At 31 December 2018	<u>5,220</u>	<u>1,518</u>	<u>6,041</u>	<u>12,779</u>
At 31 December 2017	<u>6,275</u>	<u>2,634</u>	<u>7,292</u>	<u>16,201</u>

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	2,179,202
At 31 December 2018	<u>2,179,202</u>
Net book value	
At 31 December 2018	<u>2,179,202</u>

ERIC WRIGHT CIVIL ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Eric Wright Water Limited	Ordinary	100 %	Electrical and Mechanical Engineering

Name	Registered office
Eric Wright Water Limited	Sceptre House, Sceptre Way, Bamber Bridge, Preston, PR5 6AW

11. Debtors

	2018	2017
	£	£
Trade debtors	5,019,717	2,706,571
Amounts owed by group undertakings	2,749,396	4,397,769
Other debtors	20,909	212,683
Prepayments and accrued income	45,467	65,679
Amounts recoverable on long term contracts	2,830,090	3,445,188
Deferred taxation (note 13)	2,073	761
	10,667,652	10,828,651

Amounts owed by group undertakings are interest free and are repayable on demand.

ERIC WRIGHT CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	2,878,994	3,527,696
Payments received on account	889,762	215,131
Trade creditors	6,034,208	3,670,320
Amounts owed to group undertakings	1,715,363	4,151,570
Corporation tax	722	722
Other taxation and social security	44,777	66,740
Other creditors	17,307	14,766
Accruals and deferred income	71,461	103,788
	<u>11,652,594</u>	<u>11,750,733</u>

Amounts owed to group undertakings are interest free and are repayable on demand.

13. Deferred taxation

	Deferred tax asset £
At 1 January 2018	761
Credited to the profit or loss	1,312
At 31 December 2018	<u><u>2,073</u></u>

The deferred taxation asset balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(629)	(1,406)
Short term timing differences	2,702	2,167
	<u>2,073</u>	<u>761</u>

ERIC WRIGHT CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Share capital

	2018 £	2017 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

15. Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge for the year is £192,145 (2017 - £122,317) and the amount due to the scheme at the year end is £19,761 (2017 - £13,347).

16. Related party transactions

The company has taken advantage of the exemption conferred by section 33.1A of FRS102 allowing it not to disclose transactions and balances with other wholly owned subsidiaries of Henmead Limited.

17. Controlling party

The company is a subsidiary undertaking of Eric Wright Group Limited. The ultimate controlling party is the Eric Wright Charitable Trust.

The largest group in which the results of the company are consolidated is that headed by the Eric Wright Charitable Trust, Sceptre House, Sceptre Way, Bamber Bridge, Preston, PR5 6AW. The smallest group in which they are consolidated is that headed by Eric Wright Group Limited, Sceptre House, Sceptre Way, Bamber Bridge, Preston, PR5 6AW. The consolidated financial statements of the Eric Wright Charitable Trust are available to the public and may be obtained from the Charity Commission: <https://apps.charitycommission.gov.uk/showcharity/registerofcharities/RegisterHomePage.aspx>. The consolidated financial statements of the Eric Wright Group Limited may be obtained from Companies House, Crown Way, Cardiff.