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**MARLBOROUGH HIGHWAYS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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## MARLBOROUGH HIGHWAYS LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	J Woolf M J Revell W D Blostone J A Revell
<b>Registered number</b>	02765630
<b>Registered office</b>	Woolf House 15 Regiment Business Park Eagle Way Little Waltham Chelmsford England CM3 3FY
<b>Independent auditors</b>	Barnes Roffe LLP Chartered Accountants & Statutory Auditor Charles Lake House Claire Causeway Crossways Business Park Dartford Kent DA2 6QA
<b>Bankers</b>	National Westminster Bank PLC 403 Bethnal Green Road London E2 0AF

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**MARLBOROUGH HIGHWAYS LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Introduction**

The directors present their strategic report for the year ended 31 December 2019.

**Principal activity and review of business**

The principal activity of the company in the year under review was that of building, civil engineering and road surfacing.

Marlborough Highways Limited continued to build its work profile with a number of Local Authorities and national companies including: London Borough of Hackney, London Borough of Barking and Dagenham, London Borough of Haringey, London Borough of Havering, Southend-on-Sea Borough Council, Volker Highways, London Borough of Enfield, Essex Highways and London Borough of Brent.

Marlborough has continued to invest significant capital on a new head office, which became operational in September 2018. Marlborough also continues to invest heavily in plant, equipment and vehicles, with an approximate £5m to be invested during 2020. This investment has enabled the organisation to attract high calibre staff from across the industry, enabling future organic growth and business development, as well as ensuring Marlborough continue to meet its target of driving down emissions and reducing its carbon footprint.

**Principal risks and uncertainties**

The principal risk and uncertainty are the dangers posed by coronavirus pandemic, Brexit and the potential impact to delivery of the contracts, including availability of materials and equipment.

**Financial risk**

The company uses various financial instruments to measure and monitor performance, which include cash, trade debtors, amounts recoverable on contracts and trade creditors that arise directly from its operations. The main purpose of these financial metrics is to optimise finance for the company's operations. The existence of financial challenges, which are monitored by management, exposes the company to a number of financial risks, which are described in more detail below.

The company undertakes the vast majority of their work as Principal Contractor for Local Authorities. As such, their work is dependent on client budgets.

**Credit risk**

The company's principal financial assets are cash, trade debtors and amounts recoverable on contracts. The associated credit risk is limited as the company's clients are predominantly public sector entities, all of whom have strong credit ratings supported by short term borrowings from the United Kingdom government.

In order to manage credit risk, the financial controller and directors regularly review the debtors position and the finance department works to finalise procedures for dealing with customers.

**Liquidity risk**

The company seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable need and to invest cash in assets both safely and profitably.

The company's policy throughout the year has been to achieve this objective through senior management's day-to-day involvement in business decision rather than through setting maximum or minimum liquidity ratio.

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Financial key performance indicators**

The company board sets financial targets and monitor performance by reviewing monthly management accounts.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross and net profit percentage. In addition, each of the contracts have both service and financial related KPI's related specifically to the contract which are monitored and reviewed on a regular basis with our clients.

Given the uncomplicated nature of business, the company's directors analysis using KPI's are as follows:

The gross profit and net profit margins performed as expected with results of 15.1% and 2.3% respectively (2018 - 14.3% and 5.1%). Liquidity ratios also performed as expected with a current ratio of 1.09 (2018 - 1.11) and quick ratio of 1.05 (2018 - 1.08).

Although it must be recognised that during the period of review trading conditions have remained particularly challenging. In light of the uncertainty caused by Brexit and coronavirus pandemic the directors remain satisfied that the company has been able to continue developing and generating profits.

**Health, safety and the environment**

Safety is the company's number one strategy. The company's policy is to ensure the safety of its employees and any others who's health and safety may be affected by our operation. The company has won a number of awards including ROSPA Gold and ROSPA Fleet safety.

The company has integrated their health, safety, environmental and quality management systems, which are externally accredited to ISO:45001:2018, ISO:14001 and ISO:9001 respectively, in with those of McDonald Highway Services Limited to form a consistent group policy across the whole business.

Our health, safety and environmental performance continues to excel as we have maintained our record of low incidents and zero prosecutions since incorporation in 1992.

**Future developments**

The directors believe that the integrated highway service market will continue to develop and evolve in future years and that with a stable financial position, the company will be well placed to continue to grow the business.

Marlborough Highways Limited has strong relationships with supply chain partners and the group has long term contracts with strategic clients. One of the key objectives of the company will be to continue to work with our clients on these strategic contracts to ensure we deliver the objectives of each contract while also looking to both broaden and deepen the services that we offer to those clients. Simultaneously we will continue to explore further innovative ways to deliver our service in a more effective and efficient way.

We will continue to look for further opportunities to grow the business over the coming years, through a continued focus on achieving the company's objectives, it is anticipated that the company will continue to deliver sustainable profits in future years.

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**MARLBOROUGH HIGHWAYS LIMITED**

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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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This report was approved by the board on 24 September 2020 and signed on its behalf.

**M J Revell**  
Director

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their report and the financial statements for the year ended 31 December 2019.

**Directors' responsibilities statement**

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 United Kingdom Accounting Standards (United Kingdom 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 for the Company's financial statements and then apply them consistently;
- make judgments 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.

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 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.

**Results and dividends**

The profit for the year, after taxation, amounted to £1,047,504 (2018 - £1,268,364).

Dividends paid for the year amounted to £1,088,177 (2018: £882,568).

**Directors**

The directors who served during the year were:

J Woolf  
M J Revell  
W D Blostone  
J A Revell

**Indemnification of directors**

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for directors who held office during the year.

**Engagement with employees**

The company takes employee involvement seriously to ensure that any concerns that employees raise are dealt with by the management team.

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**MARLBOROUGH HIGHWAYS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

**Post balance sheet events**

Since the Balance Sheet date the company has had to deal with the coronavirus pandemic and the associated measures that governments, customers, suppliers and finance providers are putting in place to deal with it. While the company will undoubtedly suffer adverse impacts from this in the short term, the directors are confident that we can work through the disruption and that business plans are robust even in the current situation. On the basis of the above the accounts have been prepared on the going concern basis

**Auditors**

The auditors, Barnes Roffe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 September 2020 and signed on its behalf.

**M J Revell**

Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARLBOROUGH HIGHWAYS LIMITED

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**Opinion**

We have audited the financial statements of Marlborough Highways Limited (the 'Company') for the year ended 31 December 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARLBOROUGH HIGHWAYS LIMITED (CONTINUED)**

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misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

**Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARLBOROUGH HIGHWAYS LIMITED (CONTINUED)

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**Auditors' responsibilities for the audit of the financial statements**

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of our report**

This report is made solely to the Company's members 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 auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Duncan Stannett (Senior Statutory Auditor)  
for and on behalf of

**Barnes Roffe LLP**

Chartered Accountants & Statutory Auditor

Charles Lake House

Claire Causeway

Crossways Business Park

Dartford

Kent

DA2 6QA

Date: 25 September 2020

MARLBOROUGH HIGHWAYS LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	54,870,812	30,734,358
Cost of sales		(46,595,661)	(26,345,797)
<b>Gross profit</b>		<b>8,275,151</b>	<b>4,388,561</b>
Distribution costs		(1,200,169)	(735,068)
Administrative expenses		(5,686,467)	(2,034,140)
<b>Operating profit</b>	5	<b>1,388,515</b>	<b>1,619,353</b>
Interest payable and similar expenses	9	(110,886)	(43,824)
<b>Profit before tax</b>		<b>1,277,629</b>	<b>1,575,529</b>
Tax on profit	10	(230,125)	(307,165)
<b>Profit for the financial year</b>		<b>1,047,504</b>	<b>1,268,364</b>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 12 to 23 form part of these financial statements.

**MARLBOROUGH HIGHWAYS LIMITED**  
**REGISTERED NUMBER: 02765630**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	11	2,251,408	1,414,851
		<u>2,251,408</u>	<u>1,414,851</u>
<b>Current assets</b>			
Stocks	12	541,564	317,233
Debtors: amounts falling due within one year	13	12,871,665	9,468,369
Cash at bank and in hand	14	258,825	613,525
		<u>13,672,054</u>	<u>10,399,127</u>
Creditors: amounts falling due within one year	15	(12,543,739)	(9,360,546)
<b>Net current assets</b>		<u>1,128,315</u>	<u>1,038,581</u>
<b>Total assets less current liabilities</b>		<u>3,379,723</u>	<u>2,453,432</u>
Creditors: amounts falling due after more than one year	16	(547,708)	(50,098)
<b>Provisions for liabilities</b>			
Deferred tax	18	(264,276)	(94,922)
		<u>(264,276)</u>	<u>(94,922)</u>
<b>Net assets</b>		<u><u>2,567,739</u></u>	<u><u>2,308,412</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	201	201
Profit and loss account		2,567,538	2,308,211
		<u><u>2,567,739</u></u>	<u><u>2,308,412</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 September 2020.

**M J Revell**  
Director

The notes on pages 12 to 23 form part of these financial statements.

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MARLBOROUGH HIGHWAYS LIMITED

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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

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	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2019	201	2,308,211	2,308,412
Profit for the year	-	1,047,504	1,047,504
Dividends	-	(788,177)	(788,177)
At 31 December 2019	<u>201</u>	<u>2,567,538</u>	<u>2,567,739</u>

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

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	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	201	1,922,415	1,922,616
Profit for the year	-	1,268,364	1,268,364
Dividends	-	(882,568)	(882,568)
At 31 December 2018	<u>201</u>	<u>2,308,211</u>	<u>2,308,412</u>

The notes on pages 12 to 23 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. General information**

Marlborough Highways Limited is a private company limited by shares and incorporated in England and Wales. The address of the registered office is Woolf House, 15 Regiment Business Park, Eagle Way, Little Waltham, Chelmsford, CM3 3FY. The Company's principal activity continues to be that of construction of roads and motorways.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 3).

The following principal accounting policies have been applied:

**2.2 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 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 11.42, 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;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Marlborough Highways Group Limited as at 31 December 2019 and these financial statements may be obtained from Companies House.

**2.3 Going concern**

Since the Balance Sheet date the company has had to deal with the coronavirus pandemic and the associated measures that governments, customers, suppliers and finance providers are putting in place to deal with it. While the company will undoubtedly suffer adverse impacts from this in the short term, the directors are confident that they can work through the disruption and that business plans are robust even in the current situation. On this basis the accounts have been prepared on the going concern basis

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered stated net of discounts, other sales taxes and value added tax.

Revenue arises from an increase in the value of work performed on construction contracts and on the value of service provided during the year. Where the outcome of a long term contract can be estimated reliably and it is probable that the contract will be profitable, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date. Stage of completion is assessed by reference to proportion of contract costs incurred for the work performed to date relative to the estimated total costs.

A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. Variations are included in contract revenue when it is probable that the customer will approve the variation and the related adjustment to the contract price can be measured reliably.

A claim is an amount that the contractors seek to collect from the customer as reimbursement for costs whose inclusion in the contract price is disputed, and may arise from, for example, delays caused by the customer, errors in specification or design and disputed variations in contract work. Claims are included in contract revenue when negotiations with the customer have reached an advanced stage such that it is probable that the customer will accept the claim and the amount of the claim can be measured reliably.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work in progress comprises the cost incurred on contracts plus an appropriate proportion of overheads and attributable profit. Profit is recognised on a percentage completion basis when the outcome of a contract or project can be reasonably foreseen. Where the outcome of a contract cannot be reasonably foreseen, profit is taken on completion. Remedial provisions are made in full for any anticipated remediation work.

**2.5 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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.5 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 bases:

Plant and machinery	- 25% straight line.
Motor vehicles	- 25% straight line.
Fixtures and fittings	- 25% straight line.

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.

**2.6 Impairment of assets**

At each reporting date, the Company reviews the carrying value of its assets to determine whether there is any indication that those assets may have suffered an impairment loss. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine if there is any impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply. Impairment losses are charged to profit or loss.

**2.7 Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.8 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.

**2.9 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.10 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.

**2.11 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.12 Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand less bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**2.13 Finance costs**

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.14 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.

**2.15 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.

**2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**2.17 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires that use of certain critical accounting estimates and assumptions concerning the future. It also requires management to exercise their judgement in process of applying the Company's accounting policies.

Application of accounting policies in the preparation of the financial statements requires the Board of Directors to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The directors have made key assumptions regarding the stage of completion, future costs to complete and collectability of billings of some contracts.

**4. Turnover**

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the UK.

**5. Operating profit**

The operating profit is stated after charging:

	2019	2018
	£	£
Hire of plant and machinery	1,778,836	602,423
Rent	419,339	306,970
Depreciation of owed assets	61,005	100,007
Depreciation of assets on hire purchase contracts	<u>202,425</u>	<u>189,835</u>

**6. Auditors' remuneration**

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>23,050</u>	<u>22,350</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**MARLBOROUGH HIGHWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**7. Employees**

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>10,251,305</b>	46,320
Social security costs	<b>2,873</b>	2,458
Pension costs	<b>30,059</b>	25,459
	<b><u>10,284,237</u></b>	<b><u>74,237</u></b>

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Administration	<b><u>4</u></b>	<b><u>4</u></b>

**8. Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Directors' salary	<b>10,983</b>	10,000
Directors' pension contributions	<b>28,971</b>	21,071
	<b><u>39,954</u></b>	<b><u>31,071</u></b>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

**9. Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Bank interest	<b>98,130</b>	21,736
Hire purchase	<b>12,756</b>	22,088
	<b><u>110,886</u></b>	<b><u>43,824</u></b>

MARLBOROUGH HIGHWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Taxation

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	60,771	307,712
	<u>60,771</u>	<u>307,712</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	169,354	(547)
	<u>169,354</u>	<u>(547)</u>
<b>Total deferred tax</b>		
	<u>230,125</u>	<u>307,165</u>
<b>Taxation on profit on ordinary activities</b>		

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,277,629</u>	<u>1,575,529</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	242,750	299,351
<b>Effects of:</b>		
Expenses not deductible for tax purposes	11,401	23,177
Capital allowances for year in excess of depreciation	(158,188)	(11,861)
Group relief	(35,192)	(2,955)
Deferred tax	169,354	(547)
<b>Total tax charge for the year</b>	<u>230,125</u>	<u>307,165</u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

MARLBOROUGH HIGHWAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>				
At 1 January 2019	2,648,861	803,349	458,557	3,910,767
Additions	187,356	901,789	15,217	1,104,362
Disposals	-	(70,000)	-	(70,000)
At 31 December 2019	2,836,217	1,635,138	473,774	4,945,129
<b>Depreciation</b>				
At 1 January 2019	1,841,489	521,368	133,059	2,495,916
Charge for the year on owned assets	24,015	-	36,990	61,005
Charge for the year on financed assets	93,674	77,041	31,710	202,425
Disposals	-	(65,625)	-	(65,625)
At 31 December 2019	1,959,178	532,784	201,759	2,693,721
<b>Net book value</b>				
At 31 December 2019	877,039	1,102,354	272,015	2,251,408
<b>At 31 December 2018</b>	807,372	281,981	325,498	1,414,851

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Plant and machinery	255,092	348,771
Motor vehicles	984,565	159,818
Furniture, fittings and equipment	54,411	83,263
	1,294,068	591,852

**MARLBOROUGH HIGHWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. Stocks**

	2019 £	2018 £
Inventories	541,564	317,233
	<u>541,564</u>	<u>317,233</u>

**13. Debtors**

	2019 £	2018 £
Trade debtors	7,312,537	4,382,961
Amounts owed by group undertakings	4,333,548	4,918,542
Other debtors	223,612	64,078
Prepayments	1,001,968	102,788
	<u>12,871,665</u>	<u>9,468,369</u>

**14. Cash and cash equivalents**

	2019 £	2018 £
Bank	258,825	613,525
	<u>258,825</u>	<u>613,525</u>

**15. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Trade creditors	8,927,763	8,305,255
Amounts owed to group undertakings	2,523,007	487,618
Corporation tax	66,810	143,729
Other taxation and social security	2,717	10,472
Obligations under finance lease and hire purchase contracts	540,613	344,604
Accruals and deferred income	482,829	68,868
	<u>12,543,739</u>	<u>9,360,546</u>



**MARLBOROUGH HIGHWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. Creditors: Amounts falling due after more than one year**

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	547,708	50,098
	<u>547,708</u>	<u>50,098</u>

**Secured assets**

The bank has a debenture including fixed charge over all present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future dated 13 June 2016.

**17. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	540,613	344,604
Between 1-5 years	547,708	50,098
	<u>1,088,321</u>	<u>394,702</u>

**18. Deferred taxation**

	2019 £	2018 £
At beginning of year	(94,922)	(95,469)
Charged to profit or loss	(169,354)	547
<b>At end of year</b>	<u>(264,276)</u>	<u>(94,922)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	264,276	94,922
	<u>264,276</u>	<u>94,922</u>

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**MARLBOROUGH HIGHWAYS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**19. Share capital**

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<i>£</i>
<b>Allotted, called up and fully paid</b>		
170 (2018 - 170) Ordinary 'A' shares of £1 each	<b>170</b>	<i>170</i>
1 (2018 - 1) Ordinary 'B' share of £1	<b>1</b>	<i>1</i>
30 (2018 - 30) Ordinary 'D' shares of £1 each	<b>30</b>	<i>30</i>
	<hr/>	<hr/>
	<b>201</b>	<i>201</i>

The ordinary 'B' shares rank pari passu with the ordinary 'A' and 'D' shares except that they carry no voting rights.

**20. Contingent liabilities**

A guarantee exists in favour of the group's bankers to cover bank borrowings of certain companies. At 31 December 2019 the net potential exposure in respect of this guarantee was £2,246,169 (2018: £2,317,359). The figure is in respect of the gross borrowings and does not take into account the underlying assets of the respective group companies.

**21. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £30,059 (2018 - £25,459).

**22. Ultimate parent undertaking and controlling party**

Marlborough Highways Group Limited is regarded by the directors as being the company's ultimate parent company.

Copies of Marlborough Highways Group Limited consolidated financial statements are publicly available and may be obtained from the Company at Woolf House, 15 Regiment Business Park, Eagle Way, Chelmsford, Essex, CM3 3FY.

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