

NSG Environmental Limited

Annual report and financial statements

Registered number 02769182

31 March 2018

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Directors, Officers and Company Information

Directors

J Porter	(Managing)
M Wise	
M Coles	
A Deall	
J Morris	(Non-Executive)
H Entwistle	(Non-Executive)
NI Meffan	(Non-Executive Chairman)

Company secretary

H Entwistle

Auditors

RSM UK Audit LLP, Preston

Bankers

Barclays Bank PLC, Preston

Solicitors

Addleshaw Goddard, Manchester

Registered office

Ackhurst Road
Chorley
Lancashire
PR7 1NH

Registered in England No: 2769182

Main Place of Business

Scientia House
Western Avenue
Matrix Park
Chorley
Lancashire
PR7 7NB

Other Business locations

Calleva Park (Aldermaston)
Festival House (Cheltenham)
Unit D1 Western Avenue (Chorley)
Pheonix House (Cumbria)

Website

www.nsgltd.com

Strategic Report

The directors present the annual report and financial statements for the year ended 31 March 2018.

Principal activities

NSG Environmental Limited offers consultant and contractor services for environmental management in hazardous, toxic and radioactive waste areas. The Company offers the full scope of services from design to decommissioning. The services include feasibility studies, plant design, plant and process development, services and technology support, decontamination, decommissioning, contaminated land reclamation and plant operations. These are offered as individual services or as packaged turnkey operations. NSG Environmental Limited is able to supply dedicated professional and technical staff experienced in hazardous and radioactive environments.

Business review

Principal risks and uncertainties

NSG Environmental Limited is a Company which provides services outlined above either directly to government agencies or indirectly through intermediary tier 1 and tier 2 companies to such agencies. Levels of expenditure by government are not only dependent on the availability of finance from the treasury, but they are also dependent on the government's resolve to tackle the stewardship issues of the nuclear industry. In the UK, this is now principally achieved through the Nuclear Decommissioning Authority (NDA) and the Ministry of Defence (MOD). The levels of expenditure in the nuclear industry under the NDA and the MOD are currently at high levels, although the money is taking time to filter down to companies at our level where the 'real' decommissioning is practised and physically achieved.

The Company's success rests upon its ability to deliver quality services, know-how and can-do, in a field of expertise where a wealth of experience is necessary to counter the uncertainty introduced by new entrants to the nuclear industry. The contractual commercial frameworks for delivering such service has also to be balanced with the technical and practical risks involved. For over 20 years the Company has delivered its services with continuous enthusiasm.

The Company seeks to maintain and constantly improve its health and safety environment, culture and that of others. This not only includes visitors and contractors in the workplace, but extends to safety behaviours both inside and outside the workplace. The Company also looks to provide health and safety guidance and support for safety in the home, community and supply chain. This has again been externally recognised by a RoSPA President's Award.

The Company strives to be seen as achieving more than just its legal environmental responsibilities to protect the environment by extending its remit to address moral and social obligations as well. To do what is possible to reduce its impact on the environment whilst pursuing the objective of reducing the environmental impact of the United Kingdom's nuclear legacy. This includes its commitment to the prevention of pollution and waste prevention in all its operations.

To achieve the above aims NSG Environmental Limited strives to provide and constantly improve a management system that ensures all activities of the business are undertaken as efficiently as possible whilst ensuring the required levels of control are maintained. The company currently holds certification against BS EN ISO9001:2015, BS EN ISO14001:2015 and BS OHSAS 18001:2007.

The Company relies upon its ability to retain and motivate its key staff. The directors would like to thank them for their efforts and positive attitude in often challenging circumstances.

The Company relies upon its ability to get paid a fair reward for its services.

The Company relies upon its ability to assess technical risk as well as competitiveness in order to achieve its business goals.

Notwithstanding the above principal risks and uncertainties it is the directors view that there is a sufficient market opportunity to grow the business for the benefit of its stakeholders.

Strategic Report *(continued)*

Business review *(continued)*

Performance and development during the year including key performance indicators

The Company recorded a profit of £1,223,000 (2017: profit of £843,000) after taxation.

The key performance indicator used as well as profit is EBITDA (Earnings before interest, tax, depreciation and amortization) which was £1,352,000 (2017: £943,000) and shows the cash earnings generated by the business.

The trading results for the year show an improvement over the previous year due to an increase in sales volume delivering additional margin whilst other operating charges have reduced.

There is a tax credit in 2018 on current year profits due to the significant tax allowances claimed for research and development and utilising group relief.

Position at the end of year and beyond

At the year end the Company had net assets of £7,677,000 (2017: £6,454,000) following another successful year. The Company also had an outstanding order book of £6.9m (2017: £10.2m) which secures a high proportion of next year's work.

The Company will continue to develop its existing business over the next year. The Nuclear Industry is expected to go through a period of high activity as decommissioning activities increase to make way for the new initiatives on licensed sites.

The company looks forward positively to the forthcoming year.

By order of the board



H Entwistle
Secretary

Ackhurst Road
Chorley
Lancashire
PR7 1NH

16th October 2018

Directors' Report

The directors present their directors' report and financial statements for the year ended 31 March 2018.

Proposed dividend and transfer to reserves

The profit for the year after taxation amounted to £1,223,000 (2017: £843,000) and has been transferred to reserves. The directors do not propose the payment of a dividend.

Directors

The directors who held office during the year and up to the date of the signature of the financial statements were as follows:

J Porter

M Wise

M Coles

A Deall

R Penrose (Resigned 31 May 2017)

The non-executive directors who held office during the year and up to the date of the signature of the financial statements were as follows:

J Morris

H Entwistle

NI Meffan (Non-Executive Chairman)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Information provided in the Strategic Report

The Company has chosen in accordance with the Companies Act 2006, s414 c(11), to disclose certain information required by large and medium sized companies and groups (accounts and reports) regulations 2008 within the strategic report.

By order of the board



H Entwistle
Secretary

Ackhurst Road
Chorley
Lancashire
PR7 1NH

16th October 2018

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 estimates that are reasonable and prudent; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent Auditor's Report to the Members of NSG Environmental Limited

Opinion

We have audited the financial statements of NSG Environmental Limited (the 'company') for the year ended 31 March 2018 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, 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 FRS 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 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's 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 UK, including the FRC'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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.

Independent Auditor's Report to the Members of NSG Environmental Limited (continued)

Opinions 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 and 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 set out on page 5, 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.

Auditor's 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 auditor's 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Anthony Steiner FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants,
Bluebell House, Brian Johnson Way, Preston, PR2 5PE
Registered number 02769182 / 31 March 2018

17th October 2018

Income Statement

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	2	18,036	15,388
Change in stocks and work in progress		9	4
		<u>18,045</u>	<u>15,392</u>
Raw materials and consumables		9,909	8,002
Other external charges		540	495
Staff costs	4-5	4,819	4,324
Depreciation		109	120
Other operating charges		1,425	1,628
		<u>(16,802)</u>	<u>(14,569)</u>
Operating profit		<u>1,243</u>	<u>823</u>
Interest receivable	6	-	1
Interest payable	7	(20)	(20)
		<u>1,223</u>	<u>804</u>
Profit on ordinary activities before taxation	3	<u>1,223</u>	<u>804</u>
Tax on profit on ordinary activities	8	-	39
		<u>1,223</u>	<u>843</u>
Profit for the financial year		<u><u>1,223</u></u>	<u><u>843</u></u>

All turnover and operating profits are generated from continuing operations.

Statement of Other Comprehensive Income

for the year ended 31 March 2018

	2018 £000	2017 £000
Profit for the financial year	1,223	843
Other Comprehensive Income (net of tax)	-	-
Total Comprehensive Income for the Year	<u><u>1,223</u></u>	<u><u>843</u></u>

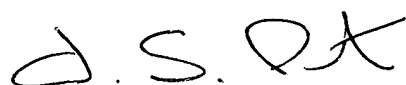
The notes on pages 11 to 21 form part of these financial statements for both the current and preceding year.

Statement of Financial Position

at 31 March 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	9	1,159	1,167
Current assets			
Stocks	10	22	13
Debtors	11	9,551	7,216
Cash at bank and in hand		1,163	1,013
		<u>10,736</u>	<u>8,242</u>
Creditors: amounts falling due within one year	12	<u>(4,103)</u>	<u>(2,840)</u>
Net current assets		<u>6,633</u>	<u>5,402</u>
Total assets less current liabilities		<u>7,792</u>	<u>6,569</u>
Creditors: amounts falling due after more than one year	13	<u>(115)</u>	<u>(115)</u>
Net assets		<u>7,677</u>	<u>6,454</u>
Capital and reserves			
Called up share capital	14	1,250	1,250
Profit and loss account		6,427	5,204
Shareholders' funds		<u>7,677</u>	<u>6,454</u>

These financial statements were approved by the board of directors on 16th October 2018 and were signed on its behalf by:



J Porter
Director

The notes on pages 11 to 21 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 March 2018

	Share Capital £000	Retained Earnings £000	Total £000
At 1 April 2016	1,250	4,361	5,611
Total comprehensive income for the period			
Profit for the year	-	843	843
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	843	843
	<hr/>	<hr/>	<hr/>
At 31 March 2017	1,250	5,204	6,454
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2017	1,250	5,204	6,454
Total comprehensive income for the period			
Profit for the year	-	1,223	1,223
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	1,223	1,223
	<hr/>	<hr/>	<hr/>
At 31 March 2018	1,250	6,427	7,677
	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015. The presentation currency of these financial statements is sterling.

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

The Company's parent undertaking, NIS Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of NIS Holdings Limited are prepared in accordance with FRS 102 and are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period
- Cash Flow Statement and related notes
- Key management personnel compensation
- Basic Financial Instruments – carrying amounts and associated disclosures

As the consolidated financial statements of NIS Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*

The company proposes to continue to adopt the reduced disclosure framework of FRS102 in its next financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The group has a significant cash position and as a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Turnover

The turnover shown in the profit and loss account represents the value of all goods and services provided during the year exclusive of Value Added Tax. Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance.

For construction contracts, turnover represents the value of work done in the year and is determined by reference to the stage of completion of each contract.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	-	shorter of 2% per annum or period of lease
Plant and machinery	-	10-25% per annum
Fixtures and fittings	-	10% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Operating Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

Basic financial instruments

The company has elected to apply the provisions of section 11, basic financial instruments, in full to all its financial instruments.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits.

Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the construction contracts accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income or payments on account in the balance sheet.

Construction contracts

The amount of profit attributable to the state of completion of a construction contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen. Contract work in progress is stated at costs incurred, less those transferred to the income statement, after deducting foreseeable losses and payments on account not matched with turnover. Construction contract debtors are included in debtors and represent turnover recognised in excess of amounts invoiced.

Notes (continued)

1 Accounting policies (continued)

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Impairment of Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination.

Notes (continued)

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Share Based Payments

The Group grants share options to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

Critical Accounting Estimates and Areas of Judgement

The Company makes estimates and assumptions concerning the future. The resulting estimates and assumptions will, by definition seldom equal actual results. The key assumptions which may give rise to a material adjustment within the next financial year relate to the level of profit which is to be recognised in construction contracts. Further detail is given in the relevant accounting policy.

Notes (continued)

2 Analysis of turnover

The directors regard the Company's construction contracts as being wholly within the UK nuclear sector.

3 Expenses and Auditor's remuneration

	2018 £000	2017 £000
<i>Included in operating profit are the following</i>		
Income from Research & Development claim	220	438
Depreciation	109	120
Operating Lease Rentals	370	343
	<hr/>	<hr/>
	£000	£000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	12	11
Other services relating to taxation	3	5
	<hr/>	<hr/>

4 Remuneration of directors

	2018 £000	2017 £000
Directors' emoluments:		
Remuneration as executives	515	248
Pension costs (see note 15)	58	118
	<hr/>	<hr/>
	573	366
	<hr/>	<hr/>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £139,308 (2017: £79,588), and company pension contributions of £15,808 (2017: £33,278) were made to a money purchase scheme on their behalf.

The number of directors accruing benefits from the Company under pension schemes may be analysed as follows:

	Number of directors	
	2018	2017
Defined contribution schemes	4	4
	<hr/>	<hr/>

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Operators, consultants and project management	88	94
Design	2	2
Selling and administration	20	21
	<hr/>	<hr/>
	110	117
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	4,071	3,619
Social security costs	495	444
Pension costs (see note 15)	241	241
Other costs - termination and redundancy payments	12	20
	<hr/>	<hr/>
	4,819	4,324
	<hr/>	<hr/>

6 Interest receivable

	2018	2017
	£000	£000
Bank interest receivable	-	1
	<hr/>	<hr/>

7 Interest payable

	2018	2017
	£000	£000
Group interest recharge	20	20
	<hr/>	<hr/>

Notes (continued)

8 Taxation

Total tax expense recognised in the income statement

	2018 £000	2017 £000
Current tax		
Current tax on income for the year	-	-
Deferred tax (note 13)		
Origination and reversal of timing differences	-	(17)
Adjustments in respect of prior periods	-	(14)
Change in tax rate	-	(8)
Total deferred tax (credit) / charge	-	(39)
Tax on profit on ordinary activities	-	(39)

Reconciliation of effective tax rate

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

Total tax reconciliation

	2018 £000	2017 £000
Profit on ordinary activities before taxation	1,223	804
Tax using the UK Corporation tax rate of 19% (2017: 20%)	232	161
Effects of:		
Adjustment in research and development tax credit leading to a decrease in the tax charge	-	(47)
Non-deductible expenses	3	4
Group relief	(293)	(173)
Transfer pricing adjustments	51	31
Under/(over) provided in prior years	-	(14)
Other differences leading to an increase/(decrease) in the tax charge	7	(1)
Total tax charge for the period	-	(39)

The Chancellor stated his intention to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. This change was substantively enacted on 6 September 2016.

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Fixtures & fittings £000	Total £000
Cost				
At 1 April	992	889	376	2,257
Additions	9	85	7	101
Disposals	-	(371)	-	(371)
At 31 March	1,001	603	383	1,987
Depreciation				
At 1 April	107	799	184	1,090
Charge for year	21	54	34	109
Disposals	-	(371)	-	(371)
At 31 March	128	482	218	828
Net book value				
At 31 March 2018	873	121	165	1,159
At 31 March 2017	885	90	192	1,167

10 Stocks

	2018 £000	2017 £000
Work in progress	22	13

Notes *(continued)*

11 Debtors

	2018 £000	2017 £000
Trade debtors	3,181	2,837
Other debtors	591	722
Construction contract debtors	249	550
Amounts owed by group undertakings	5,386	3,080
Prepayments	144	27
	<u>9,551</u>	<u>7,216</u>

12 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Payments received on account	698	589
Trade creditors	2,693	1,814
Other creditors including taxation and social security	294	278
Accruals and deferred income	418	159
	<u>4,103</u>	<u>2,840</u>

13 Creditors: amounts falling due after more than one year

Provisions for liabilities and charges

Deferred Taxation

Other timing differences between the treatment of certain items for tax and accounting purposes creates a deferred liability of £115k (2017: liability £115k). The timing differences arise as a result of the difference between capital allowances and depreciation. At the year end the deferred tax liability has been recognised in respect of the net tax liability.

	2018 £000	2017 £000
Balance brought forward at 1 April	115	154
Deferred taxation credit	(-)	(39)
Balance at 31 March	<u>115</u>	<u>115</u>

14 Share Capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,250	1,250

Notes (continued)

15 Employee Benefits

Defined Contribution Pension Scheme

The Company operates various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Company to the schemes and amounted to £241,000 (2017: £241,000). There were unpaid contributions at 31 March 2018 of £ Nil (2017: £nil) included in creditors.

16 Operating leases

The company had total commitments under non-cancellable operating leases are as follows:

	2018 £000	2017 £000
Operating Leases which expire:		
Within one year	377	392
Within two to five years	194	229
After more than five years	-	-
	<u>571</u>	<u>621</u>

17 Related Party Transactions

The Company has taken advantage of the exemption under FRS102, not to disclose transactions during the year with group undertakings on the grounds that it is a wholly owned subsidiary where the ultimate parent company prepares group accounts.

18 Reserves

Profit & Loss account – Cumulative Profit & Loss reserve net of distributions to owners

19 Ultimate parent company and parent undertaking of a larger group of which the Company is a member

The Company is a subsidiary undertaking of N.I.S. Holdings Limited which is the ultimate parent company incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by NIS Holdings Limited. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from:

The Registrar of Companies
Companies House
Crown Way
CARDIFF
CF4 3UZ