Eric Wright Group Limited

Annual report and consolidated financial statements

Registered number 02841234

31 December 2018

Contents

Chairman's statement

Executive overview

The Group reported a profit before tax in 2018 of £10.0m compared to £7.2m for 2017.

Overall turnover across the Group increased from £159.1m to £170.4m with the increase principally driven by the Residential and Civil Engineering divisions for the reasons outlined below. All divisions continued to expand their customer bases whilst at the same time developing the existing relationships which have underpinned many of the Group's recent successes.

The Group finds strength in its diversity, which allows it to weather storms well to the extent they are specific to particular divisions. The current general economic conditions have and will continue to create challenges for the Group, however core stability afforded by the Groups investment property portfolio has provided the Group with substantial resilience over recent years, giving continued confidence for the future. During 2018, the portfolio has performed particularly well with a number of new lettings and positive rent reviews. This, alongside yield compression in certain sectors, has generated a revaluation gain in the current year of £3.7m. In addition, in response to risks around a significant lease coming to an end, the Group has disposed of a city centre office block generating a profit of £1.34m and has committed to reinvesting the proceeds in other suitable property assets.

The wider business has made good progress in the year, with evolution of management teams and processes. Improvements often take time to translate to the bottom line, however, into 2019 and beyond, there are encouraging signs of these changes delivering a tangible impact on our results.

Business Development remained a key focus for all of the Senior Management Team although it continued to present its challenges. Within our contracting activities, lead times remained long or uncertain at best and pricing strategies often have to contend with both inflationary pressures and resource constraints within key trades.

CSR and our commitment to offer added value to clients remained a core objective for the business and 2018 provided work place opportunities and apprenticeships to dozens of young and disadvantaged individuals.

Construction

2018 was another challenging year for the construction industry with skills and material shortages driving up costs; particularly trades associated with delivering residential developments. Despite supply chain members benefiting from price increases, a significant number ceased trading. A number of national contractors experienced major difficulties with debt and for the second year running resulting in some high profile insolvencies.

Turnover reduced in 2018 to £74.6m (2017: £79.4m) (including intercompany trading of £0.5m (2017: £2.9m)), which together with one underperforming contract materially impacted financial performance. Reduced turnover related principally to one project which was deferred by the client to facilitate a renegotiation of terms with the anchor tenant on a mixed use scheme. Design related issues contributed to significant cost overruns on a residential project, which suffered further due to two key supply chain members entering administration. As a result overall losses for the year amounted to £2.4m (2017: loss of £0.5m) which whilst extremely disappointing does not reflect the underlying performance of the business which delivered multiple complex projects in 2018 on time to exacting quality.

The client base expanded in 2018 and existing relationships such as those with Muse Developments, Manchester Life, Department for Education and Chorley Council continued to develop and strengthen as evidenced by repeat business. Workload is dominated by Frameworks, Partnerships and Negotiated Contracts, and having won a place on the North West Construction Hub High Value Framework we anticipate these sources to increase to over 90% of all turnover.

Having secured a number of substantial contracts the order book for 2019 and 2020 is very strong placing the division in an excellent position to return to sustained profitability. The turnover for 2019 is expected to exceed £100m.

Chairman's statement *(continued)*

Civil Engineering

Turnover £45.6m (*2017: £46.2m*), loss before tax £0.1m (*2017: £0.6m*)

A significant proportion of the turnover relates to legacy contracts now performed by Water on behalf of Civils (2018: £23.9m; 2017: £32.0m) which is eliminated on consolidation. The underlying Civil Engineering turnover has increased from £14.2m in 2017 to £21.7m in 2018.

2018 saw all the business plan targets largely achieved with notable successes in business development and work winning. In recent years, the business performance has proved very vulnerable to fluctuations in workload and 2018 saw a much more consistent pipeline of work which in turn resulted in a much reduced trading deficit. The portfolio of work also reflected a conscious strategy to focus on contracts of a certain scale and risk profile procured by clients who will remain core to the business in the future.

Commercial management remained strong, supporting the continued success in work winning and the consistency of quality across the site teams ensured that contracts performed in line with expectations.

At the end of 2018 the business had the strongest pipeline of work for some time with £23m now secured representing over 80% of the 2019 target. The aim of the business is to return to profit in 2019 through steady managed growth ensuring that the business controls and maintains its risk profiles. This growth will be supported by improved success rates on tenders through a mixture of thorough pricing, operational input and risk reviews by the board during the final tender review process.

Water

Turnover £41.8m (*2017: £44.5m*), profit before tax £0.15m (*2017: £0.3m*)

Turnover has reduced slightly year on year largely driven by fluctuations in the procurement cycles of the main water companies such as United Utilities. Profit before tax has decreased by £0.15m however this is largely as a result of the performance of the Coatbridge operation. A lack of sustainable workload from the Scottish central belt has resulted in the closure of this office at a cost of £0.15m. Further work in this area will be performed from the Dumfries office. All other geographical areas within the business have performed well in the year.

Relationships with all strategic clients continued to be well managed and vulnerability from over reliance on certain frameworks diminished delivering a business plan priority. Five key clients underpin the business namely, United Utilities, Scottish Water, Severn Trent Water, Yorkshire Water and C2V+ (a joint venture with Volker Stevin). The water industry is regulated by OFWAT with spending reviews undertaken every five years which dictate the level of maintenance and project activity. With the new 5 year spending cycle for the water companies beginning in 2020, the management team are already positioning the business to ensure it is a preferred contractor for the new generation of frameworks either as a Tier 1 supplier or Tier 2 subcontractor to a Tier 1 contractor.

In 2019, the turnover in the Water business is expected to remain stable despite the changes in spending cycles. The business continues to work to ensure that systems and controls are robust, commercial management is enhanced and the operational risks arising from larger contracts are understood and mitigated. The margin from the portfolio of work is projected to increase towards a level which more fairly reflects the risk and opportunity within the projects.

Property Development

The Division's activities fall into two principal business streams, Commercial Property and Residential Development.

Commercial property

Turnover for the year is £0.2m (*2017: £14.4m*), profit before tax £1.1m (*2017: £1.8m*)

Turnover in the current year has been limited as there have been no scheme completions arising due to timing. The market for lettings and disposals continues to be challenging and lead times continue to be long. The prior year turnover largely related to projects sold to fellow group understandings totalling £14.0m (eliminated on consolidation).

Despite the results, good progress has been made on pipeline projects with new opportunities being secured for industrial development, town centre regeneration and student accommodation. There were also some very positive indications that 2019 will see the exit of some legacy projects unlocking additional funding for new opportunities. The team continue to focus on key sectors where occupier demand is strong and there is now a healthy development pipeline which will provide positive overall returns over the next 4 years, commensurate with the development risk profile and use of Group capital.

Chairman's statement *(continued)*

Property Development (continued)

Residential development

Turnover for the year is £13.5m (*2017: £8.1m*), profit before tax £0.7m (*2017: £0.3m*)

The turnover increase year on year is due to an upturn in unit sales from 25 in 2017 to 60. 2018 saw the completion and disposal of final units on sites in Wesham and Cowan Bridge and the start on site of 2 other schemes. Due to the increase in unit disposals, stock has reduced from £14m in December 2017 to £9m at the current year end, aiding Group cash flow. Good progress on current schemes, alongside the opening stock, has facilitated 13 unit completions in the first 5 months of 2019 with a further 19 units exchanged or reserved.

The Residential business continues to focus on promoting the quality of the product and expanding market presence. Pipeline will be secured by identifying and acquiring sites under option then obtaining planning permission, supplemented by securing sites from the open market, which already benefit from having an established planning status.

Health and Care

Turnover was £1.5m (*2017: £1.4m*), profit before tax £0.6m (*2017: £0.5m*)

The Health and Care team have continued to successfully deliver a comprehensive range of partnering services under the 3 Local Improvement Finance Trusts. These long term partnerships continue to manage a substantial portfolio of primary care assets in excess of £220m across our region. This income stream has continued to underpin the commercial outcomes and generate a valuable and consistent contribution to Group.

Alongside the core business, the division continues to develop its strategy of creating investment properties which can be retained within our portfolio. Ashton Health Centre, valued at some £4m, is due to complete in summer 2019 and negotiations in relation to the development of another GP surgery are progressing well.

Perhaps the most exciting opportunity which represents a change in direction for the team is the new joint venture with Glenholme entered into in May 2019. Glenholme Healthcare is a well-established care organisation owned by a number of successful individuals and businesses that have traded in the care sector for over 25 years. The partnership will progress a programme to develop and operate care homes across the North West region, the first of which in Bispham, is already trading successfully.

Facilities Management

Turnover was £14.9m (*2017: £12.6m*), profit before tax £1.5m (*2017: £1.5m*)

Our FM business continued to operate successfully across the North West in 2018, delivering hard and soft FM services to a wide range of clients in over 100 locations. The core business remained the ongoing management of healthcare and education facilities delivered under long term partnering arrangements such as LIFT and PFI. Although this pipeline of new work opportunity has effectively ceased due to changes in Government procurement policy, the strong long term relationships built up with all the clients means that the business remains well placed as future procurement models evolve.

The business climate saw existing arrangements continuing to be increasingly contractual, with clients seeking to ensure that value for money is delivered and that opportunities for cost savings are explored wherever possible. A focus on working in partnership with key clients will be essential to sustain constructive relationships and mitigate the impact of an increasingly contractual environment.

2018 has seen the appointment of additional resource in order to facilitate continued improvement in service delivery on these important long term contracts. A new management team has also been established via the appointment of an Operations Director and a Managing Director and a strategic plan for the business formulated which encompasses all aspects of its activities. Alongside the long term relationships, which underpin the current business activity, the Board recognises the need to continue exploring strategies for the development of future work streams including self-delivery options and identification of new business partners to expand and diversify activities.

Chairman's statement *(continued)*

Property investment

Rental income £4.8m (*2017: £6.2m*). Portfolio value £64.2m (*2017:* £62.4m)

Rental income year on year shows a decrease of £1.4m. This is in large part due to a lease surrender accepted in 2017 on a property previously vacated by the tenant totalling £1.5m. The adjusted increase in rental income is £0.1m (2%) driven by a strong lettings performance, elimination of voids and some significant uplifts following rent reviews. These positive changes in the portfolio, alongside improving yields in certain sectors, have driven a significant revaluation gain in the year of £3.7m.

The overall property portfolio value has increased year on year and there have been a number of positive property transactions, rebalancing the portfolio and exiting problem properties. The sale of Barnett House, a city centre office block, generated a profit of £1.34m and eliminated the risk posed as the existing lease comes to an end. In addition the Group disposed of The Wool Exchange, Bradford. The proceeds from these transactions continue to be reinvested following the acquisition of Middleton Trade Park (£2.4m) along with Quantum House, Oldham (£2.9m).

A cornerstone of the Groups balance sheet strategy, is to continue to increase the value of both the investment portfolio and the associated rental income by acquiring or developing carefully selected opportunities in order to maximise stability of returns to the Trust. This pro-active approach of utilising existing balance sheet resources to secure core borrowings is proving successful in increasing and strengthening the Group's underlying asset base. It also provides the opportunity for the team to source assets which may have a development opportunity that can be unlocked by other divisions at some stage in the future.

Outlook for 2019

The Group ended 2018 with excellent progress against business plan targets and another robust set of financial results. Behind the results, senior management teams across the Group also continued to challenge and review all aspects of their operations and implement change in order to deliver continuous improvement.

The environment for our contracting businesses will remain challenging. Company failures within the Construction industry are indicative of the tensions in the sector. Delivery of a consistent workload with a predictable return across all our contracting activities will be fundamental in supporting the overarching outcome of long term financial stability. The Group is well placed to deliver this with careful selection of opportunities and our collaborative style of working, bringing experience and expertise to a wide range of clients, ensuring that we will continue to deliver exciting projects. Quality product will be an ongoing core objective whilst continually reviewing processes and controlling costs in order to deliver margin.

Property development (including Commercial, Residential and Health and Care) is expected to continue strengthening its future pipeline of projects. Economic stability and steady growth is challenged by political events, often extending the lead time on developments or resulting in schemes falling away. The team will have to use their creativity and experience to sustain transaction levels. On the residential side, product and delivery is now well placed to support the growth. Management will seek to secure sites in order to generate a pipeline of unit sales which sustains a stable business profile.

During 2018 an overall corporate strategy has been formulated to pull together the objectives of all of the divisions and generate a medium term business plan to increase recurring profits and enhance the core stability within the Group. The overarching objective is to generate portfolio growth over time with a target property value of £100m by 2024 via reinvestment of trading profits alongside modest external funding support. Following a refinancing of the Group's main banking facility with RBS in 2017, securing a £35m facility for the period through to May 2021, the Group is well placed to exploit good opportunities and create a stable platform for growth and investment for the foreseeable future.

Chairman's statement *(continued)*

Outlook for 2019 (continued)

The business and the Eric Wright Charitable Trust continue to work in partnership to support the charitable objectives across our region delivering huge potential for making real improvements to peoples' lives. The Group recognises the need to create a stable platform and maximise the returns available to the Trust in order to continue the excellent work the Trust carries out.

In summary 2019 will see a blend of growth and consolidation across our various core activities. The senior management teams have made some great steps forward in how we operate and develop all our business activities. Underlying prudence around management of both cash and operational risk means our balance sheet remains extremely strong and this in turn provides us with considerable capacity and flexibility to support future growth.

RE Wright
Chairman

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28 June 2019

Strategic Report

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

Enhanced business review

A review of the year's activities and prospects is set out in the Chairman's Statement and is included in this Strategic Report by cross reference.

Principal risks and uncertainties

The industry or sector specific factors which have always faced the Group remain in place to varying degrees. Additionally there remains a level of risk and uncertainty from the current economic and political environment. The following aspects are notable:

- Low margin work where risk is disproportionate to potential returns
- Availability of funding, procurement obstacles and lack of business confidence contributing to a degree of inertia in bringing projects to market
- Increased incidence of litigation and contractual disputes as attempts to preserve cash and tight margins remain a key driver
- Political uncertainty and reductions in public sector spending

Internal processes have always been in place for assessing and managing the exposure within any specified opportunity, whether it is in contracting or elsewhere in the Group's portfolio of activities, such as Property Development. The experiences during the downturn however have enabled additional measures to be implemented which ensure the business is now as well protected as possible from risk and uncertainty.

Bidding Risk

Both the Group's contracting and development operations bid selectively for a relatively large number of contracts each year. Tenders and investment appraisals are developed in accordance with thorough processes for estimating and risk identification and assessment. Particular attention is given to new or unique characteristics. Each project or contract is subject to formal review and approval by tender review panel or divisional Board depending on value and risk profile.

Delivery Risk

The delivery of contracts is controlled and managed through the Board operating structures with the Construction, Civils and Water businesses. The Group's procedures embrace regular and frequent reviews with an agenda centred on health and safety performance, issues affecting delivery and any consequential impact on costs to completion and the overall estimated future outcome. This approach is underpinned by management's desire to identify any operational and commercial issues in good time so as to ensure appropriate actions can be taken to address them in the most effective way possible. Supply chain failure is an increasing risk to delivery particularly on complex jobs with limited alternatives.

Changing Government Policies and Funding Priorities

The risk and uncertainty to our business and that of many others, from changes in government spending policy will always remain a challenge as both national and regional political landscapes change on a regular basis. The Group's public sector partnerships have proved extremely valuable sources of construction and facilities management contracts over recent years and we were fortunate to have a strong order book when the downturn led to severe spending cuts. Our partnerships have remained intact however and we envisage some exciting opportunities presenting themselves. The need to maintain and improve public estates will always remain an issue which will need addressing and the recent hiatus in spending is starting to now see new and more efficient procurement mechanisms evolve. The Group has always had very strong links with many facets of the public sector and this area of work opportunity in its many guises will remain core to our future strategies.

Brexit risks

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 Group is ongoing as more information emerges and the business is well placed to manage the changes to the economic environments in which it operates.

Strategic Report *(continued)*

Principal risks and uncertainties (continued)

Financial Risk

The Group manages its interest rate risk through the use of financial instruments. Other financial risks, including cash flow, are managed through robust internal reporting systems and clear allocation of responsibility.

Key Performance Indicators

The Group implements a number of key performance indicators which are reviewed on a regular basis. These are listed below:

- Monthly consolidated group accounts tracking projections for turnover, gross profit, overheads and profit before tax including a commentary on significant variances to budget and prior period comparatives.
- Profit margin at various levels from group to division and down to individual contracts or development projects.
- Contract commercial reviews to highlight matters which require proactive solutions or Director involvement to mitigate risk.
- Monthly end life forecasting on all construction, civil engineering and water contracts with explanation of any slippage.
- Quarterly consolidated group profit and loss, balance sheet, cash flow and commentary both to comply with banking covenants comprising loan to value, interest cover and net assets, and to also keep lenders fully appraised on group activities.
- Monthly update of cash flow projections and borrowing capacity.
- Property asset values performed externally on an annual basis.

Expected future developments and position at the end of the year

These are dealt with in the Chairman's statement on pages 1 to 5.

JP Hartley
Director

Sceptre House
Sceptre Way
Bamber Bridge
PRESTON
PR5 6AW

28 June 2019

Directors' report

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

Principal activities

The principal activity of the Company in the year under review was that of a holding company for the Eric Wright Group of companies. The principal activities of the Group in the year under review were building, contracting, civil engineering, property development and facilities management.

Financial results

The Group made a profit after tax of £9,103,000 during the year *(2017: £7,216,000)*.

A dividend of £3,895,000 was paid during the year *(2017: £3,823,000)*.

Directors and directors' interests

The directors of the Company who held office during the year were as follows:

RE Wright	
JP Hartley	
JF Carter	
CM Evenson	(resigned 30 June 2018)
JH Wilson	
ED Bourne	
G Chadwick	(appointed 8 June 2018)
C Hetherington	(appointed 8 June 2018)
K Hirst	(appointed 8 June 2018)
N Whittle	(appointed 8 June 2018)
CD Winstanley	(appointed 8 June 2018)

None of the Directors who held office held any beneficial interest in the issued share capital of the Company as at 1 January 2018 or 31 December 2018.

The interests of the Directors and their families, as at the year end, in the share capital of the parent Company, Henmead Limited, were nil. The Eric Wright Charitable Trust has a 100% shareholding in Henmead Limited, the immediate parent company.

Employee relations

Regular meetings are held with management teams to discuss the Group's performance. Opportunity is given at such meetings for questions regarding matters concerning the employees, particularly with reference to matters concerning health and safety.

Employment policies provide equal opportunity, irrespective of sex, religion, race or marital status. Applications by persons with disabilities are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria for training and promotion apply to persons with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

Donations

Donations to UK charities amounted to £9,000 *(2017: £140,000)*.

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.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

JP Hartley
Director

Sceptre House
Sceptre Way
Bamber Bridge
PRESTON
PR5 6AW

28 June 2019

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 group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Eric Wright Group Limited

Opinion

We have audited the financial statements of Eric Wright Group Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, the Statement of Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement 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 group's and the parent company's affairs as at 31 December 2018 and of the group's profit 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.

Independent auditor's report to the members of Eric Wright Group 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Directors' responsibilities

As explained more fully in their statement set out on page 10, 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 group's and the parent 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Eric Wright Group Limited *(continued)*

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

Liam Finnigan
for and on behalf of KPMG LLP,
Statutory Auditor
1 St Peter's Square
Manchester
M2 3AE

28 June 2019

Consolidated Profit and Loss Account

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Group turnover	3	**170,350**	159,089
Cost of sales		**(156,707)**	(145,267)
Gross profit		**13,643**	13,822
Administrative expenses		**(17,542)**	(16,068)
Other operating income	4	**4,784**	6,236
Profit on disposal of investment property		**1,340**	-
Group operating profit	5	**2,225**	3,990
Gain/(loss) on revaluation of investment properties	12	**3,675**	(413)
(Loss)/gain on revaluation of investment		**(6)**	1
Share of profit in profit/(loss):			
Joint ventures		**2,149**	1,701
Associates		**19**	(47)
Profit before interest and taxation		**8,062**	5,232
Interest receivable and similar income	8	**4,934**	4,991
Interest payable and similar expenses	8	**(3,042)**	(3,007)
Profit before tax		**9,954**	7,216
Tax on profit	9	**(851)**	-
Profit for the financial year		**9,103**	7,216

Other comprehensive income

	2018 £000	2017 £000
Profit for the financial year	**9,103**	7,216
Effective portion of changes in fair value of cash flow hedges	**1,596**	1,217
Deferred tax on other comprehensive income	**(271)**	(207)
Group's share of other comprehensive expense of joint ventures and associates	**(2,968)**	(1,927)
Other comprehensive loss for the year, net of income tax	**(1,643)**	(917)
Total comprehensive income for the year	**7,460**	6,299

The notes on pages 22 to 47 form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2018

	Note	**2018**	**2018**	2017	2017
		£000	**£000**	£000	£000
Fixed assets					
Goodwill	*10*		**-**		-
Tangible assets	*11*		**4,414**		4,361
Investment property	*12*		**64,206**		62,361
Fixed asset investments	*13*		**5,720**		4,603
			74,340		71,325
Current assets					
Stocks	*15*	**25,399**		30,907	
Debtors: amounts falling due within one year	*16*	**43,696**		38,947	
Debtors: amounts falling due after one year	*16*	**41,102**		42,867	
Cash at bank and in hand	*17*	**12,248**		11,271	
		122,445		123,992	
Creditors: amounts falling due within one year	*18*	**(56,275)**		(49,429)	
Net current assets			**66,170**		74,563
Total assets less current liabilities			**140,510**		145,888
Creditors: amounts falling due after more than one year	*19*		**(71,678)**		(81,497)
Provisions for liabilities and charges					
Deferred tax liability	*23*		**(2,915)**		(2,000)
Other provisions	*24*		**-**		(39)
Net assets			**65,917**		62,352
Capital and reserves					
Called up share capital	*26*		**39**		39
Capital redemption reserve			**10**		10
Revaluation reserve			**15,434**		13,226
Profit and loss account			**51,495**		50,330
Minority interest			**(1,061)**		(1,253)
Shareholders' funds			**65,917**		62,352

These financial statements were approved by the board of directors on 28 June 2019 and were signed on its behalf by:

JP Hartley
Director

Registered number 02841234

The notes on pages 22 to 47 form part of these financial statements.

Company Balance Sheet
at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	11		3,809		3,568
Investment property	12		53,751		53,928
Investments	13		788		788
			58,348		58,284
Current assets					
Debtors	16	8,731		5,760	
Cash at bank and in hand		9,809		15,589	
		18,540		21,349	
Creditors: amounts falling due within one year	18	(8,060)		(6,798)	
Net current assets			10,480		14,551
Total assets less current liabilities			68,828		72,835
Creditors' amounts falling due after more than one year	19		(26,000)		(32,500)
Provision for liabilities					
Deferred tax liability	23		(2,044)		(1,304)
Net assets			40,784		39,031
Capital and reserves					
Called up share capital	26		39		39
Capital redemption reserve			8		8
Revaluation reserve			5,425		2,535
Profit and loss account			35,312		36,449
Shareholders' funds			40,784		39,031

These financial statements were approved by the board of directors on 28 June 2019 and were signed on its behalf by:

JP Hartley
Director

Registered number 02841234

The notes on pages 22 to 47 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Called up Share capital £000	Capital Redemption reserve £000	Revaluation reserve £000	Profit & loss account £000	Minority interest	Total equity £000
Balance at 1 January 2018	39	10	13,226	50,330	(1,253)	62,352
Total comprehensive income for the year						
Profit for the financial year	-	-	-	9,075	28	9,103
Effective portion of changes in cash flow hedges	-	-	-	1,389	207	1,596
Deferred tax on other comprehensive gain	-	-	-	(236)	(35)	(271)
Group's share of other comprehensive loss of joint ventures and associates	-	-	-	(2,968)	-	(2,968)
Other comprehensive (loss)/income	-	-	-	(1,815)	172	(1,643)
Total comprehensive income for the year	-	-	-	7,260	200	7,460
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	(3,887)	(8)	(3,895)
Revaluation reserve transfer of unrealised gains	-	-	3,669	(3,669)	-	-
Transfer of realised gains on disposal	-	-	(1,461)	1,461	-	-
Total contributions by and distributions to owners	-	-	2,208	(6,095)	(8)	(3,895)
Balance at 31 December 2018	**39**	**10**	**15,434**	**51,495**	**(1,061)**	**65,917**

Consolidated Statement of Changes in Equity

	Called up Share capital £000	Capital Redemption reserve £000	Revaluation reserve £000	Profit & loss account £000	Minority interest	Total equity £000
Balance at 1 January 2017	39	10	13,700	47,502	(1,375)	59,876
Total comprehensive income for the year						
Profit for the financial year	-	-	-	7,195	21	7,216
Effective portion of changes in cash flow hedges	-	-	-	1,084	133	1,217
Deferred tax on other comprehensive loss	-	-	-	(184)	(23)	(207)
Group's share of other comprehensive loss of joint ventures and associates	-	-	-	(1,927)	-	(1,927)
Other comprehensive (loss)/income	-	-	-	(1,027)	110	(917)
Total comprehensive income for the year	-	-	-	6,168	131	6,299
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	(3,814)	(9)	(3,823)
Revaluation reserve transfer of unrealised losses	-	-	(412)	412	-	-
Transfer of realised gains on disposal	-	-	(62)	62	-	-
Total contributions by and distributions to owners	-	-	(474)	(3,340)	(9)	(3,823)
Balance at 31 December 2017	**39**	**10**	**13,226**	**50,330**	**(1,253)**	**62,352**

Company Statement of Changes in Equity

	Called up Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2018	39	8	2,535	36,449	39,031
Total comprehensive income for the year					
Profit for the financial year	-	-	-	5,640	5,640
Total comprehensive income for the year	-	-	-	5,640	5,640
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(3,887)	(3,887)
Revaluation reserve transfer of unrealised gains	-	-	2,456	(2,456)	-
Transfer of realised losses on disposal	-	-	434	(434)	-
Total contributions by and distributions to owners	-	-	2,890	(6,777)	(3,887)
Balance at 31 December 2018	**39**	**8**	**5,425**	**35,312**	**40,784**

Company Statement of Changes in Equity

	Called up Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2017	39	8	3,256	34,497	37,800
Total comprehensive income for the year					
Profit for the financial year	-	-	-	5,045	5,045
Total comprehensive income for the year	-	-	-	5,045	5,045
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(3,814)	(3,814)
Revaluation reserve transfer of unrealised losses	-	-	(655)	655	-
Transfer of realised gains on disposal	-	-	(66)	66	-
Total contributions by and distributions to owners	-	-	(721)	(3,093)	(3,814)
Balance at 31 December 2017	**39**	**8**	**2,535**	**36,449**	**39,031**

Consolidated Cash Flow Statement

for year ended 31 December 2018

	Note	2018	2017
		£000	£000
Cash flows from operating activities			
Profit for the year		**9,103**	7,216
Adjustments for:			
Depreciation, amortisation and impairment		**358**	319
Change in value of investment property and investments		**(3,669)**	413
Interest receivable and similar income		**(4,934)**	(4,991)
Interest payable and similar charges		**3,042**	3,007
Gain on sale of tangible fixed assets		**(1,339)**	(120)
Share of profit in joint venture		**(2,149)**	(1,701)
Share of (profit)/loss in associate		**(19)**	47
Taxation		**851**	-
		1,244	4,190
Decrease/(increase) in stocks		**5,508**	(12,462)
(Increase)/decrease in trade and other debtors		**(2,971)**	5,911
Increase/(decrease) in trade and other creditors		**8,578**	(4,011)
Decrease in provisions		**(217)**	(528)
		12,142	(6,900)
Dividends paid		**(3,895)**	(3,823)
Interest paid		**(3,042)**	(3,007)
Tax paid		**(223)**	(546)
Net cash inflow/(outflow) from operating activities		**4,982**	(14,276)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**9,522**	534
Interest received		**4,934**	4,991
Acquisition of tangible fixed assets		**(6,755)**	(866)
Repayment of loans by associates and joint ventures		**387**	342
New loans to joint ventures and associates		**(2,141)**	(121)
Dividends received from joint ventures and associates		**-**	63
Net cash from investing activities		**5,947**	4,943
Cash flows from financing activities			
Proceeds from new loan		**-**	12,903
Repayment of borrowings		**(8,277)**	(1,768)
Net cash (outflow)/inflow from financing activities		**(8,277)**	11,135
Net increase in cash and cash equivalents		**2,652**	1,802
Cash and cash equivalents at 1 January 2018		**9,596**	7,794
Cash and cash equivalents at 31 December 2018	*17*	**12,248**	9,596

Notes
(forming part of the financial statements)

1 Accounting policies

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

These Group and parent company 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 August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss, investment property.

1.2 Going concern

The company's business activities, together with the Chairman's executive overview are set out in the Business Review on pages 1 to 5. The financial position of the Group is set out in the Group cash flow on page 21. The financial risk and management of financial risk is set out on page 6.

The Group meets its day-to-day working capital requirements through a £35m Revolving Credit Facility (RCF). The RCF was successfully renewed and extended in terms of amount from £27m to £35m in December 2017 and is not due for renewal until June 2021. At the year end the RCF balance was £20m (*2017: £26.5m*). The Group's facilities are fully documented in note 20.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation *(continued)*

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method. Where there is no obligation, commitment or guarantee by the group to fund the joint venture operations or make payments on behalf of the investees and there is no intention to in the future, then the share of net liabilities recognised in the group consolidated balance sheet is restricted to the value of the investment made by the group.

Where a group company is party to a joint venture which is not an entity, the company accounts directly for its share of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent company financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.4 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less 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 interest 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.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in the profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Basic financial instruments (continued)

Finance lease debtors

At the commencement of the lease term, a finance lease is recorded in the balance sheet as a receivable, at an amount equal to the net investment in the lease.

The net investment in a lease is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of:

- The minimum lease payments receivable under a finance lease; and
- Any unguaranteed residual value accruing to the company.

Initial direct costs (costs that are incremental and directly attributable to negotiating and arranging a lease) are included in the initial measurement of the finance lease receivable and reduce the income recognised over the lease term.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

1.7 Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.18 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Freehold buildings	4% on cost
• Leasehold land and buildings	4% on cost
• Plant, machinery and scaffolding	15% on reducing balance
• Fixtures and fittings	15% on reducing balance
• Motor vehicles	25% on reducing balance
• Computer equipment	33% on cost

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.

1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to 1 January 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Intangible assets and goodwill

Goodwill in respect of the subsidiary has been amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill was estimated to be five years.

Goodwill in respect of the Joint Venture is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill was estimated to be 21 years, the remaining period of the concession period for the lease plus agreement.

1.11 Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

1.12 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

1.13 Construction contract debtors

Amounts recoverable on long term contracts represents the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the revenue 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 entity's contract activities based on normal operating capacity.

Amounts recoverable on long term contracts are presented as part of trade debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as payments on account in the balance sheet.

1.14 Impairment excluding stocks, investment properties and deferred tax assets

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Impairment excluding stocks, investment properties and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property, stocks and deferred tax assets, 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. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15 Employee benefits

Defined contribution plans and other long term employee benefits

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.

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either other creditors or prepayments in the balance sheet.

1.16 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.17 Turnover

Turnover is stated net of VAT. In respect of the contracting activities, turnover 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. In respect of the commercial development activities, turnover represents the sale of property recognised on exchange. In respect of the residential development activity turnover is recognised on completion of property sales. In respect of the Public Private Partnership and management activities turnover represents the value of services supplied during the year. All amounts are derived in the United Kingdom.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account 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 profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.19 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, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Further detail on deferred tax is set out in note 23.

1.20 Key management personnel

The key management personnel are the Directors of the Company as set out in the Directors report on page 8.

Notes *(continued)*

2 Accounting estimates and judgements

2a) Key sources of estimation uncertainty

Preparation of the financial statements requires the directors to make estimates. The items in the financial statements where these estimates have been made include

Contract turnover and provisions

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. The provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2b) Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements (apart from those involving estimations included above) in applying the Group's accounting policies are described below.

Investment property

Investment properties are initially recognised at cost. Subsequent to initial recognition investment properties whose fair value can be measured reliably are held at fair value. The fair value of investment properties, based on an existing use value provided by Bilfinger GVA totals £64.2m *(2017: £62.4m)*. Whilst the investment properties are valued by external experts, there are a number of judgements adopted in respect of items such as yields and lease renewals which affect the overall valuation.

Loans to joint ventures

Loans to joint ventures are initially recognised at cost. The loans are reviewed annually for impairment via a review of the joint ventures cash flow forecast which incorporates assumptions. No impairment is recognised as future trading and cash flow forecasts demonstrate the joint ventures have sufficient funds to meet repayment of the loans as they fall due.

Finance leases

The Group have finance leases in connection with its PFI arrangements. The minimum lease receivable payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Amounts recoverable on contracts

Amounts recoverable on contracts represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the revenue 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 entity's contract activities based on normal operating capacity.

Amounts recoverable on contracts are presented as part of debtors in the balance sheet. If payments received from the client exceeds the income recognised, then the difference is presented as payments on account.

Notes *(continued)*

2 Accounting estimates and judgements *(continued)*

Trade debtors

Held within trade debtors are contract trade debtors that represent billed amounts for contract work performed to date. Contract trade debtors are regularly reported and monitored to ensure the full amount is recovered. Provision is made for doubtful debts.

Classification of financial instruments

Financial instruments are recognised initially at fair value. Subsequent to initial recognition financial instruments are measured at fair value with changes recognised in profit or loss. Where the financial instrument falls under the classification of hedging instruments and is in a designated hedging relationship the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

3 Turnover

The table below sets out the trading results for each of the Group's divisions.

	2018	2017
	£000	£000
Property Investment	**697**	717
Construction	**74,626**	79,420
Civil Engineering and water	**87,443**	90,685
Commercial & Residential Property Development	**13,709**	22,485
Facilities Management	**14,929**	12,646
Other	**9,950**	7,683
Consolidation adjustments	**(31,004)**	(54,547)
Total turnover	**170,350**	159,089

All turnover arose within the United Kingdom.

4 Other operating income

	2018	2017
	£000	£000
Rental income	**4,784**	6,236

5 Expenses and Auditor's remuneration

Included in the profit and loss account are the following:

	2018	2017
	£000	£000
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of these financial statements	**8**	7
Audit of financial statements of subsidiaries of the company	**107**	91
Tax advisory services	**6**	22
Debt advisory services	**-**	8
Depreciation	**350**	310
Loss/(profit) on sale of fixed assets	**1**	(120)
Profit on sale of investment property	**(1,340)**	-

Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Notes *(continued)*

6 Staff numbers and costs

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

	Number of employees	
	2018	2017
Direct labour	**285**	288
Administration	**361**	354
	646	642

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**26,327**	24,908
Social security costs	**2,109**	2,013
Contributions to defined contribution plans	**2,196**	2,047
	30,632	28,968

7 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	**1,163**	859
Benefits in kind	**34**	36
Company contributions to money purchase pension plans	**173**	112
	1,370	1,007

Information regarding the highest paid director is as follows:

	2018	2017
	£000	£000
Remuneration	**293**	242
Benefits in kind	**1**	10
	294	252

Retirement benefits are accruing to eight (*2017: four*) directors under a defined contribution scheme.

Notes *(continued)*

8 Net interest payable

	2018 £000	2017 £000
Interest receivable and similar income		
Group:		
Bank and short term deposits	**35**	13
Interest receivable from associates and joint ventures	**1,462**	1,505
Finance debtor interest	**3,437**	3,473
Total interest receivable and similar income	**4,934**	4,991
Interest payable and similar expenses		
Group:		
Bank loans and overdrafts	**3,042**	3,007

9 Taxation

Total tax expense recognised in the profit and loss account.

	2018 £000	2018 £000	2017 £000	2017 £000
Current tax				
Current tax on income for the period		**315**		647
Adjustments in respect of prior periods		**(250)**		(333)
Total current tax		**65**		314
Deferred tax (see note 23)				
Origination and reversal of timing differences	**849**		295	
Adjustments in respect of prior periods	**(63)**		19	
Total deferred tax		**786**		(314)
Total tax charge/(credit)		**851**		-

Total tax expense recognised in the profit and loss account and other comprehensive income.

	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax	2017 £000 Current tax	2017 £000 Deferred tax	2017 £000 Total tax
Recognised in Profit and loss account	**65**	**786**	**851**	314	(314)	-
Recognised in other comprehensive income	**-**	**271**	**271**	-	207	207
Total tax	**65**	**1,057**	**1,122**	314	(107)	207

All tax expenses recognised in the profit and loss account and other comprehensive income relates to UK Corporation tax.

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

The tax assessed for the year is lower than (*2017: lower than*) the standard rate of corporation tax in the UK of 19% (*2017: 19.25%*). The differences are explained below:

	2018	2017
	£000	£000
Profit for the year	**9,103**	7,216
Total tax charge	**851**	-
Profit excluding taxation	**9,954**	7,216
Tax using the UK corporation tax rate of 19% (*2017: 19.25%*)	**1,891**	1,389
Fixed asset differences	**(241)**	(13)
Non-deductible expenses	**155**	225
Land remediation relief	**(1)**	-
Tax exempt revenues	**(497)**	(33)
Adjustments in respect of equity accounted investments	**(412)**	(306)
Impact of change in deferred tax rates and difference between current and deferred tax rates	**(123)**	20
Gains/(losses) on revaluation of investment property	**846**	(385)
Group relief claimed	**(740)**	(776)
Credit for Group relief	**286**	193
Over provided in prior years (current tax)	**(250)**	(333)
Over provided in prior years (deferred tax)	**(63)**	19
Total tax charge included in profit and loss	**851**	-

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 (liability)/asset at 31 December 2018 has been calculated based on a rate of 17% as this is the prevailing rate at which the group expects the deferred tax (liability)/asset to reverse.

Notes *(continued)*

10 Goodwill

Group

	Goodwill £000
Cost	
Balance at 1 January 2018 and 31 December 2018	1,459
Amortisation	
Balance at 1 January 2018 and 31 December 2018	1,459
Net book value	
At 31 December 2017 and 31 December 2018	-

Amortisation

The goodwill became fully amortised during the year ended 2015.

Company

The company does not hold any goodwill or intangible assets.

11 Tangible fixed assets

Group

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures and fittings £000	Plant, machinery and scaffolding £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 January 2018	3,586	352	2,230	4,207	424	10,799
Additions	-	232	51	142	80	505
Disposals	-	-	(106)	(33)	(176)	(315)
Balance at 31 December 2018	3,586	584	2,175	4,316	328	10,989
Depreciation						
Balance at 1 January 2018	202	312	1,889	3,688	347	6,438
Depreciation charge for the year	34	29	121	134	32	350
Disposals	-	-	(47)	(32)	(134)	(213)
Balance at 31 December 2018	236	341	1,963	3,790	245	6,575
Net book value						
At 31 December 2018	**3,350**	**243**	**212**	**526**	**83**	**4,414**
At 31 December 2017	3,384	40	341	519	77	4,361

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Group (continued)

Land and Buildings

The net book value of land and buildings in tangible fixed assets and investment properties comprises:

	2018	2017
	£000	£000
Freehold	42,324	40,453
Long leasehold	25,232	25,292
Short leasehold	243	40
	67,799	65,785

Company

	Freehold Improvements £000	**Freehold property £000**	**Plant and machinery £000**	**Motor vehicles £000**	**Total £000**
Cost or valuation					
At beginning of year	150	3,586	2,206	54	5,996
Additions	232	-	92	46	370
Disposals	-	-	-	(54)	(54)
At end of year	382	3,586	2,298	46	6,312
Depreciation					
At beginning of year	118	202	2,068	40	2,428
Charge for year	23	34	52	8	117
Disposals	-	-	-	(42)	(42)
At end of year	141	236	2,120	6	2,503
Net book value					
At 31 December 2018	**241**	**3,350**	**178**	**40**	**3,809**
At 31 December 2017	32	3,384	138	14	3,568

12 Investment property

Group	***Group*** **2018 £000**	***Company*** **2018 £000**
Balance at 1 January 2018	62,361	53,928
Additions	6,250	5,447
Net gain from fair value adjustments	3,675	2,456
Disposals	(8,080)	(8,080)
Balance at 31 December 2018	**64,206**	**53,751**
Historical cost net book value	48,772	48,326

All investment properties are held at fair value. All such assets were valued at 31 December 2018 on the basis of existing use by Bilfinger GVA, Chartered Surveyors, an external independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. All other assets are at cost less depreciation. There is deemed no material difference from the valuation date to the year end with the exception of two properties where there are differences due to transactions arising around the year end or circumstances specific to an investment property under development.

Notes *(continued)*

13 Fixed asset investments

Group

	Loans to Joint Ventures £000	Interests in Joint Ventures £000	Total Interests in Joint Ventures £000	Investments in associates	Investments other £000	Total £000
Cost						
At 1 January 2018	13,369	(42)	13,327	1,740	25	15,092
New loans provided	1,504	-	1,504	637	-	2,141
Repayment of loans	(387)	-	(387)	-	-	(387)
Share of (loss)/profit	-	(117)	(117)	19	-	(98)
Revaluation of listed investments	-	-	-	-	(6)	(6)
At 31 December 2018	14,486	(159)	14,327	2,396	19	16,742
Provision						
At 1 January 2018	(10,489)	-	(10,489)	-	-	(10,489)
Movement in provision	(533)	-	(533)	-	-	(533)
At 31 December 2018	(11,022)	-	(11,022)	-	-	(11,022)
Net book value						
At 31 December 2018	**3,464**	**(159)**	**3,305**	**2,396**	**19**	**5,720**
At 31 December 2017	2,880	(42)	2,838	1,740	25	4,603

Company	**Shares in group undertakings £000**
Cost	
At 1 January 2018 and 31 December 2018	**788**

14 Other investments and financial assets

Included in fixed asset investments are listed investments amounting to £19,000 *(2017: £25,000)* for the Group, and £nil *(2017: £nil)* for the Company.

15 Stocks

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Consumables	**32**	48	-	-
Work in progress	**25,367**	30,859	-	-
	25,399	30,907	-	-

The write-down of stocks to net realisable value through cost of sales amounted to £53,000 *(2017: £204,000)*.

Notes *(continued)*

16 Debtors

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Amounts falling due within one year				
Finance lease debtor receivable	**1,672**	1,361	**-**	-
Trade debtors	**19,957**	16,348	**658**	421
Amounts recoverable on long term contracts	**15,335**	15,100	**-**	-
Amounts due from parent company	**8**	10	**-**	-
Amounts due from subsidiaries	**-**	-	**5,404**	3,389
Corporation tax	**280**	123	**285**	123
Prepayments	**3,775**	2,765	**2,096**	1,525
Deferred tax	**1,320**	1,462	**-**	-
Other debtors	**1,349**	1,778	**288**	302
	43,696	38,947	**8,731**	5,760
Due after more than one year				
Finance lease debtor receivable	**41,102**	42,867	**-**	-
	84,798	81,814	**8,731**	5,760

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

17 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**12,248**	11,271
Bank overdrafts	**-**	(1,675)
Cash and cash equivalents per cash flow statements	**12,248**	9,596

18 Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Bank loans and overdraft	**1,735**	3,428	**-**	-
Payments on account	**4,514**	3,459	**-**	-
Trade creditors	**26,691**	21,947	**1,250**	117
Amounts due to parent company	**4,666**	4,880	**4,300**	4,672
Amounts due to subsidiaries	**-**	-	**442**	429
Taxation and social security	**1,825**	2,104	**136**	92
Other creditors	**10,125**	7,714	**630**	281
Accruals and deferred income	**6,719**	5,897	**1,302**	1,207
	56,275	49,429	**8,060**	6,798

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

Notes *(continued)*

19 Creditors: amounts falling after more than one year

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Bank loans	**58,174**	66,433	**26,000**	32,500
Deferred Income	**4,005**	3,969	-	-
Financial instruments	**9,499**	11,095	-	-
	71,678	81,497	**26,000**	32,500

Details on financial instruments are included in notes 21 and 22.

20 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018 £000	2017 £000
Loans and overdrafts can be analysed as falling due:		
On demand – Overdraft	-	1,675
In one year or less	**1,735**	1,753
Between one and two years	**7,773**	7,735
Between two and five years	**25,451**	31,918
In five years or more	**24,950**	26,780
	59,909	69,861
Creditors falling due after more than one year		
Secured bank loans	**58,174**	66,433
	58,174	66,433

	2018 £000	2017 £000
Creditors falling due within less than one year		
Secured bank loans	**1,735**	1,753
	1,735	1,753

Bank loans are secured on certain investment properties of Eric Wright Group Limited and other group companies.

All financial liabilities are denominated in UK pounds sterling. The financial liabilities carry floating rates of interest, based upon market rates prevailing at the time. Some of these financial liabilities have been swapped to a fixed interest rate.

Interest rate swaps, denominated in pounds sterling have been entered into to protect the maximum interest expense to which the Group is exposed. These swaps with an underlying debt value of £33,842,000 (*2017: £35,546,000*) enable the Group to swap floating rate liabilities on loans linked to LIBOR to a fixed rate liability. The period of these swap arrangements ranges from 6 to 19 years as at 31 December 2018. This capped the maximum interest payable by the Group to December 2018 at 5.87%.

The interest paid by the Group on its bank floating rate liabilities is at a rate of LIBOR plus a margin of 2% to 3% *(2017: LIBOR plus 2% to 3%)*.

Notes *(continued)*

20 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2018 £000	2017 £000
Term loan 1	£ GBP	Libor + 2%	2020	Non amortising	**6,000**	6,000
Revolving Credit Facility	£ GBP	Libor + 2%	2021	Revolving Credit Facility	**20,000**	26,500
Debenture loans	£ GBP	Libor + 2%	-	Subordinated debt	**67**	67
Term loan 2	£ GBP	7.41%	2024	Amortising	**3,809**	4,437
Term loan 3	£ GBP	7.36%	2030	Amortising	**6,163**	6,546
Term loan 4	£ GBP	6.18%	2037	Amortising	**23,870**	24,636
					59,909	68,186

Term loan 1 is a non-amortising term loan falling due for repayment in January 2020.

The Revolving Credit Facility is drawn for a fixed period, agreed in advance with the bank. The RCF is either repaid at the end of the fixed period or the period extended. The RCF facility was refinanced in December 2017 for a 42 month period to May 2021.

The debenture loan is unsecured and no redemption date has been set.

The term loans 2-4 are repaid bi-annually and full repayment will be made by the expiry date and relate to the Group's PFI arrangement.

21 Other financial liabilities

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Amounts falling due after more than one year				
Other financial liabilities designated as fair value through other comprehensive income	**9,499**	11,095	-	-
	9,499	11,095	-	-

Notes *(continued)*

22 Financial instruments

22 *(a) Carrying amount of financial instruments*

The carrying amounts of the financial assets and liabilities include:

	Notional amount £000	Maturity Year	Fixed Rate %	Fair value liability 2018 £000	Fair value liability 2017 £000
Liabilities measured at amortised cost					
Interest rate swap 1	3,816	2024	5.865	**(576)**	(812)
Interest rate swap 2	6,119	2030	5.400	**(1,573)**	(1,900)
Interest rate swap 3	23,871	2037	4.400	**(7,350)**	(8,383)
				(9,499)	(11,095)

22 *(b) Financial instruments measured at fair value*

Derivative financial instruments

The fair value of interest rate swap and interest rate caps is based on broker quotes. Those quotes are tested for reasonableness by comparing against prior year valuations, market interest rates and valuations for similar instruments at the measurement date.

22 *(c) Hedge accounting*

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Group has entered into swap agreements with RBS, Bank of Tokyo Mitsubishi, Aviva and Co-operative Bank. These result in the Group paying the LIBOR floating interest rate and receiving and/or paying a fixed interest rate on the swaps. This effectively fixes the interest cost on the loans.

The derivatives are accounted for as a hedge of variable interest rate risks, in accordance with FRS 102. The cash flow arising from the interest rate swaps will continue until their maturity, coinciding with the repayment of the loans.

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models:

	2018						2017					
	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5 years and over £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps:												
Liabilities	**32,806**	**21,790**	**2,185**	**2,075**	**5,560**	**11,970**	35,546	24,090	2,300	2,185	5,909	13,696
	32,806	**21,790**	**2,185**	**2,075**	**5,560**	**11,970**	35,546	24,090	2,300	2,185	5,909	13,696

The change in fair value in the period is recognised in other comprehensive income as the swaps were 100% effective hedges.

Notes *(continued)*

22 Financial instruments *(continued)*

22 (d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2018 £000	Fair value 2017 £000
Interest rate swaps	**(9,499)**	(11,095)

23 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Held in provisions for liabilities and charges	**Group 2018 £000**	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
At 1 January	**2,000**	2,231	**1,304**	1,739
Profit and loss account charge/(credit)	**820**	(325)	**740**	(435)
Amount recognised in other comprehensive income	**95**	94	**-**	-
At 31 December	**2,915**	2,000	**2,044**	1,304

Held in debtors	**2018 £000**	2017 £000	**2018 £000**	2017 £000
At 1 January	**(1,462)**	(1,586)	**-**	-
Profit and loss account (credit)/charges	**(34)**	11	**-**	-
Amount recognised in other comprehensive income	**176**	113	**-**	-
At 31 December	**(1,320)**	(1,462)	**-**	-

Notes *(continued)*

23 Deferred tax assets and liabilities *(continued)*

Deferred tax liability	**Group 2018 £000**	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Accelerated capital allowances	**2,110**	2,246	**927**	920
Other timing differences	**(73)**	(116)	**(78)**	(111)
Short term timing differences financial instruments	**(365)**	(461)	**-**	-
Other short term timing differences	**1,243**	331	**1,195**	495
	2,915	2,000	**2,044**	1,304

Deferred tax asset	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Accelerated capital allowances	**-**	24	-	-
Others	**70**	14	-	-
Short term timing differences - financial instruments	**1,250**	1,424	-	-
	1,320	1,462	-	-

24 Other provisions

Group	**Ex- gratia provision £000**
At 1 January 2018	39
Credit to the profit and loss for the year	(39)
At 31 December 2018	-

A provision for ex-gratia payments to former employees was made in a prior year. This provision was being utilised at £39,000 per annum and is now fully released.

25 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £2,196,000 *(2017: £2,047,000)* the amount due to the scheme at the year end is £211,000 *(2017: £165,000).*

Notes *(continued)*

26 Capital and reserves

Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
394,450 ordinary shares of 10p each	**39**	39

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Company results

The company reported a profit for the year of £5,640,000 (*2017: £5,045,000*).

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Less than one year	**295**	335	**254**	294
Between one and five years	**1,176**	1,339	**1,014**	1,177
More than five years	**24,510**	29,630	**20,337**	25,418
	25,981	31,304	**21,605**	26,889

During the year £369,000 was recognised as an expense in the profit and loss account in respect of operating leases (*2017: £329,000*).

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Less than one year	**4,371**	4,326	**3,429**	3,522
Between one and five years	**11,934**	12,644	**9,175**	10,098
More than five years	**45,321**	44,933	**43,442**	42,764
	61,626	61,903	**56,046**	56,384

There are no material leasing arrangements requiring disclosure.

Notes *(continued)*

28 Finance leases

Leases as lessor

The Group has finance leases in connection with its PFI arrangements. The minimum lease receivable payments at the end of the reporting period are as follows:

	Minimum lease receivable 2018 £000	**Interest 2018 £000**	**Principal 2018 £000**	Minimum lease receivable 2017 £000	Interest 2017 £000	Principal 2017 £000
Within one year	**4,929**	**3,257**	**1,672**	4,731	3,370	1,361
Greater than one year and less than two years	**4,815**	**3,134**	**1,681**	4,955	3,252	1,703
Greater than two years and less than five years	**14,456**	**8,526**	**5,930**	14,503	8,945	5,558
Greater than five years	**51,293**	**17,802**	**33,491**	56,038	20,431	35,607
	75,493	**32,719**	**42,774**	80,227	35,998	44,229

29 Commitments

Capital commitments

The Group and the Company have no contractual commitments to purchase tangible fixed assets at either the current or prior year-end.

In respect of interests in Jointly Controlled Entities, the Group and Company have no commitment to incur capital expenditure at either the current or prior year end.

30 Contingencies

There is a cross guarantee in place in relation to the Group's Revolving Credit Facility between all Group companies. This is supported by a first legal charge over certain Group properties.

Notes *(continued)*

31 Related parties

Company

Identity of related parties

Company/entity	**Portion of ordinary shares held**	
Subsidiary undertakings		
Eric Wright Construction Limited*	100%	
Eric Wright Partnerships*	100%	
Eric Wright Civil Engineering Limited*	100%	
Maple Grove Developments Limited*	100%	
Eric Wright Investments Limited	100%	Dormant
Maple Grove Investments Limited	100%	
Stonecross Enterprises Limited	100%	
Elltech Limited	95%	
Sceptre Nursery Limited	100%	
Eric Wright Commercial Limited	100%	Dormant
Skemtech Limited	95%	
Fleetwood PPP Limited*	100%	
Cobco 494 Limited	100%	
Cobco 450 Limited	100%	
Eric Wright FM Limited	100%	
Eric Wright Homes Limited	100%	
Maple Grove Residential Limited	100%	
Applethwaite Limited	100%	
Eric Wright Developments	100%	Dormant
Eric Wright Water Limited	100%	
EWGN Blackpool PSP Limited*	80%	Dormant
Blackpool LEP Limited	64%	
Highfield PFI Holdco Limited	72%	Dormant
Highfield PFI SPV Limited	72%	
Samlesbury Developments Limited*	100%	
Joint Ventures		
Foundation for Life Limited*	60%	
Leigh Holdco Limited	60%	Dormant
Leigh Fundco Limited	60%	
Pacific Shelf 888 Limited	60%	
Pemberton Care Limited	60%	
Pinco 2033 Limited	60%	
Pinco 2206 Limited	60%	
Pimco 2401 Limited	60%	
FFL Capital Projects Limited	60%	Dormant
East Lancashire Building Partnership Limited*	60%	
Blackburn Holdco Limited	60%	Dormant
Blackburn Fundco Limited	60%	
Rossendale LIFT Limited	60%	
Pinco 2223 Limited	60%	
Pimco 2297 Limited	60%	
Inhoco 2952 Limited	60%	
Pimco 2451 Limited	60%	
East Lancashire Capital Projects Limited	60%	
Brahm LIFT Limited*	60%	
Brahm Intermediate Holdco 1 Limited	60%	Dormant
Brahm Fundco 1 Limited	60%	
Brahm Intermediate Holdco 2 Limited	60%	Dormant
Brahm Fundco 2 Limited	60%	
Bolton Holdco 1 Limited	60%	Dormant
Bolton Fundco 1 Limited	60%	
Brahm Capital Projects Limited	60%	Dormant
Booths Partnership Limited	50%	
Regional and Local Education Partnership Limited	26%	Dormant
Tri link 140 Holdings 1 LLP	50%	
Tri Link 140 Holdings 2 LLP	50%	
Winsford Holdings 1 LLP	50%	
Winsford Holdings 2 LLP	50%	
Holbeck Homes (Cartmel) Limited	50%	

Notes *(continued)*

31 Related parties (continued)

Additional information on subsidiaries and joint ventures

Associates	
Sapphire Extra Care Limited	25%
Deeside Regeneration Limited	24.9%

All companies are registered and operate in England and Wales and principal activities are either building, contracting, civil engineering or property development. The registered addresses of the related parties are available in the accounts of each of the entities, which are available on Companies House.

* Eric Wright Group Limited directly owns the share capital of these entities. All remaining share capital is owned indirectly through subsidiary undertakings.

32 Related party transactions

Recipient company	EWG Shareholding	Goods and services supplied		Balance outstanding at end of year	
		2018	2017	**2018**	2017
		£000's	£000's	**£000's**	£000's

During the year the Group supplied construction services to the following companies in which the Group has an interest. These services were provided by Eric Wright Construction Limited.

Booths Partnership Limited	50%	-	-	-	-
Blackpool Local Education Partnership Ltd	64%	**1,166**	1,123	-	-
Highfield PFI SPV Ltd	72%	-	-	-	-
East Lancashire Capital Projects Ltd	60%	**1,472**	-	-	133
Sapphire Extra Care Limited	25%	-	-	-	-

During the year the company supplied hard FM services to the following companies in which Eric Wright Group Limited has an interest. These services were provided by Eric Wright FM Limited:

Blackpool Local Education Partnership Ltd	64%	**107**	78	-	-
Blackburn Fundco Ltd	60%	**344**	254	-	-
Bolton Fundco 1 Ltd	60%	**299**	289	-	-
Brahm Fundco 1 Ltd	60%	**622**	614	-	-
Brahm Fundco 2 Ltd	60%	**441**	426	-	-
Highfield PFI SPV Ltd	72%	**383**	369	-	-
Inhoco 2952 Ltd	60%	**1,040**	989	-	-
Leigh Fundco Ltd	60%	**255**	247	-	-
Pacific Shelf 888 Ltd	60%	**33**	32	-	-
Pemberton Care Ltd	60%	**104**	100	-	-
Pimco 2297 Ltd	60%	**69**	58	-	-
Pimco 2401 Ltd	60%	**138**	133	-	-
Pimco 2451 Ltd	60%	**498**	651	-	-
Pinco 2033 Ltd	60%	**452**	436	-	-
Pinco 2206 Ltd	60%	**270**	261	-	-
Pinco 2223 Ltd	60%	**844**	641	-	-
Rossendale Lift Ltd	60%	**384**	232	-	-

Notes *(continued)*

32 Related party transactions *(continued)*

Recipient company	EWG Shareholding	Goods and services supplied		Balance outstanding at end of year	
		2018	2017	**2018**	2017
		£000's	£000's	**£000's**	£000's

During the year the company provided management services to the following companies in which Eric Wright Group Limited has an interest. These services were provided by Eric Wright Partnerships Limited.

Blackburn Fundco Ltd	60%	**19**	18	-	-
Blackpool Local Education Partnership Ltd	64%	**47**	76	-	-
Bolton Fundco 1 Ltd	60%	**69**	63	-	-
Brahm Fundco 1 Ltd	60%	**118**	114	-	-
Brahm Fundco 2 Ltd	60%	**92**	89	-	-
Brahm Lift Ltd	60%	**183**	98	-	-
Inhoco 2952 Ltd	60%	**125**	121	-	-
Leigh Fundco Ltd	60%	**47**	45	-	-
Pacific Shelf 888 Ltd	60%	**9**	9	-	-
Pemberton Care Ltd	60%	**29**	28	-	-
Pimco 2297 Ltd	60%	**9**	8	-	-
Pimco 2401 Ltd	60%	**44**	43	-	-
Pimco 2451 Ltd	60%	**74**	72	-	-
Pinco 2033 Ltd	60%	**103**	99	-	-
Pinco 2206 Ltd	60%	**83**	81	-	-
Pinco 2223 Ltd	60%	**77**	75	-	-
Rossendale Lift Ltd	60%	**24**	23	-	-
East Lancashire Building Partnership Ltd	60%	**155**	98	-	-
Foundation for Life Limited	60%	**158**	-	-	-

33 Controlling party

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

The largest group in which the results of the Group 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 Henmead 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 www.government/organisations/charity-commission. The consolidated financial statements of Henmead Limited may be obtained from Companies House, Crown Way, Cardiff.