REGISTERED NUMBER: 03026268 (England and Wales)

ECL CIVIL ENGINEERING LIMITED

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Essex Abel
accountants • business advisors

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FOR THE YEAR ENDED 30 JUNE 2019

ECL CIVIL ENGINEERING LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2019

DIRECTORS:	S A Hoare S J Tysoe B J Wright
SECRETARY:	Mrs M Hoare
REGISTERED OFFICE:	4 Bank Court Weldon Road Loughborough Leicestershire LE11 5RF
REGISTERED NUMBER:	03026268 (England and Wales)
AUDITORS:	Essex Abel Ltd 4 Bank Court Weldon Road Loughborough Leicestershire LE11 5RF

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their strategic report for the year ended 30 June 2019.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year-end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

REVIEW OF BUSINESS
The company specialises in the provision of groundworks services for housing developments and has a client base of major house builders and developers. Our head office is based in Kempston, Bedfordshire and we operate primarily in the South Midlands and Home Counties regions.

Results and performance
The results of the company for the year, as set out on pages 9 to 23, show a profit on ordinary activities before tax of £13.4 million (2018 - £12.0 million). The shareholders' funds of the company have grown to a total of £6.7 million (2018 - £5.3 million), as we have retained profit to fund the increase in the working capital required to support our growth in turnover.

The results reflect the company's strong underlying trading activities and the increased activity levels within the civil engineering industry and the residential house building market. We have continued to work with our customers in order to deliver the services they require during this period of high levels of property development within the UK. The company has continued to invest in both its infrastructure and its management systems during the year in order to ensure that the company continues to deliver a high level of service to its customers and is in a position to secure future contracts.

We are satisfied with the current years trading results, which have again improved on prior years. We are also confident that based on the forecast short to medium market conditions that this will continue steadily for the foreseeable future, as we continually aim to develop and grow the business further.

Business environment
Due to the high level of property development currently taking place in the UK and the investment in the company's infrastructure, the company has achieved an excellent level of growth in turnover of 22.6%. This represents a return on the investment in focusing on working with larger house building companies and developing the working relationship with these customers over recent years. We continue to have a growing number of contract leads and opportunities ahead of us which should allow for further steady sustainable growth, subject to the effects of Brexit on the housing market.

This strong performance demonstrates that the company's market presence is growing and the recognition for the quality of our work is helping us to achieve this. This perception plays a key role in securing the new tenders for contracts, as customers become increasingly aware of our expertise and ability to deliver the high level of work required and within the agreed scope and timescales set.

As are all construction businesses, we are experiencing pressure on our gross margin, due to our direct costs rising in excess of inflation and growth in turnover, which has impacted on our net profit percentage for the year. This is an area that is under constant focus in order to control and manage these costs, whilst maintaining the quality of our service offering.

The company is committed to the achievement of quality in the projects undertaken and complies with the requirements of ISO9001 - quality management systems. We ensure that we recognise our environmental responsibilities to enable us to understand, as well as manage the actual and potential environmental impact of our activities. Our operations are conducted to ensure we comply with the legal requirements relating to the environment in which we carry out our business. As part of this obligation we comply with the requirements of ISO14001 - environmental management for which we have received accreditation.

The company continues to invest in its health and safety standards and performance across all its sites. Health and safety remains at the forefront of our planning and culture in order to manage the risks associated with operating within the construction industry, whilst further improving the company's procedures and processes. The company recognises the importance of specific and effective training for its employees to ensure compliance with the legal requirements and accreditations held by the company. The company is accredited under OHSAS18001 - occupational health & safety accreditation.

As for many businesses of our size, the business environment in which we operate continues to be challenging, but we believe the company is well placed to deliver its performance objectives in these economic times.

PRINCIPAL RISKS AND UNCERTAINTIES

The process of risk management is applied through a combination of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulation, legal and ethical standards is a high priority for the company to ensure they are able to continue trading. The directors are responsible for ensuring that effective internal controls exist to manage the risks and that these controls operate effectively for the benefit of the business.

We the directors endeavour to identify the risks that the company faces on a day to day basis. This is to ensure we have the financial strength and operational capacity to support the growth of the business and mitigate these risks wherever possible.

The company is still subject to inherent uncertainty surrounding the continued demand for new housing developments in the UK with government policy and the housing market, being the key factors in whether any growth achieved is sustainable in the long term. However, the extension of the help-to-buy programme until 2023 and sustained policy support should mitigate these factors in the short to medium term with the major housebuilders forecasting continued growth in the coming years. In addition, the effects of the possible impact from BREXIT continue to be an uncertainty in the market and these negotiations have had an impact on the market with a reduction in house prices in London and the South-East, although at present there does not appear to be any slowdown in activity in the housebuilding sector and the medium term forecast is for activity to increase.

We have continuously worked to build a robust and flexible business by attracting and retaining the high quality staff and clients to help us achieve this. In doing so we are in a strong financial position to deal with situations which have arisen during the year and those which we expect to face in the future.

The principal risks from our business are as follows:

Tender pricing: The work which the company tenders for involves a high degree of complexity, particularly on the larger tenders. Tender assumptions could be inaccurate or the risks associated with the tender may not be fully considered. If risks are not given due consideration, contract losses and potential reputational damage are likely to arise. If risks are over-priced, future contract offerings will suffer.

The company's appetite for long-term and competitively tendered construction contracts is limited. This is influenced by the desire to maintain the quality of work being undertaken to enable the risks associated with the contracts to be managed. Tenders for contracts are subject to approval by the directors.

Completion of contracts: The Company carries out a number of contracts annually and the risks to which the company is exposed are dependent on the nature of the work undertaken and the length of the contract. If such risks are not managed properly the company may suffer contract losses, delays and potential reputational damage.

Current contracts in progress are controlled and managed through the company's operating structure and procedures, this includes regular reviews of the forecast revenue and costs to completion between the managing surveyors and the directors.

Competitor risk: The Company operates in a highly competitive market balancing both customer requirements and market pressures. The directors review and monitor these factors to ensure the company's competitiveness is maintained.

Liquidity risk and going concern: The Company is exposed to liquidity risk as sufficient funds are required to support trading and financing activities. The company regularly monitors its liquidity position to ensure that sufficient funds are available to meet both current and future requirements.

Economic risk: The Company's trading is broadly linked to the recovery and performance of the UK economy and; therefore, is exposed to recessionary risk when economies contract. To mitigate such a risk, management regularly reviews the market to assess the potential impact on the business operations.

The company's' reserves position removes some elements of the financial risks any business faces. With business risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside of our control.

KEY PERFORMANCE INDICATORS
A summary of our key financial performance indicators monitored within the business are as follows:

	2019	2018
Turnover growth	22.6%	38.8%
Gross profit percentage on turnover	11.3%	12.1%
Administrative expenses percentage on turnover	1.1%	1.1%

As detailed above the company's turnover growth has continued, but the gross profit percentage has been adversely effected by the increase in direct costs, due to the effects of shortages in the labour market pushing up costs in excess of inflation.

ON BEHALF OF THE BOARD:

S J Tysoe - Director

7 November 2019

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report with the financial statements of the company for the year ended 30 June 2019.

DIVIDENDS
Interim dividends totalling £47500 per share were paid on the Ordinary A £1 shares during the year. No dividends were paid on any other classes of shares.

The total distribution of dividends for the year ended 30 June 2019 will be £9,500,000.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 July 2018 to the date of this report.

S A Hoare
S J Tysoe
B J Wright

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
Essex Abel Ltd, have expressed their willingness to continue in office as auditors and will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:

S J Tysoe - Director

7 November 2019

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

ECL CIVIL ENGINEERING LIMITED

Opinion
We have audited the financial statements of ECL Civil Engineering Limited (the 'company') for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

Essex Abel Ltd

Mr Jason Oram FCCA (Senior Statutory Auditor)
for and on behalf of Essex Abel Ltd (Statutory Auditors)
4 Bank Court
Weldon Road
Loughborough
Leicestershire
LE11 5RF

7 November 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £'000	2018 £'000
TURNOVER		134,751	109,889
Cost of sales		119,579	96,592
GROSS PROFIT		15,172	13,297
Administrative expenses		1,729	1,240
OPERATING PROFIT	5	13,443	12,057
Interest payable and similar expenses	7	27	12
PROFIT BEFORE TAXATION		13,416	12,045
Tax on profit	8	2,579	2,322
PROFIT FOR THE FINANCIAL YEAR		10,837	9,723
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,837	9,723

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

BALANCE SHEET

30 JUNE 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
FIXED ASSETS					
Tangible assets	10		480		679
CURRENT ASSETS					
Stocks	11	1,066		705	
Debtors	12	23,508		19,903	
Cash at bank		6,773		112	
		31,347		20,720	
CREDITORS					
Amounts falling due within one year	13	25,106		15,976	
NET CURRENT ASSETS			6,241		4,744
TOTAL ASSETS LESS CURRENT LIABILITIES			6,721		5,423
CREDITORS					
Amounts falling due after more than one year	14		34		73
NET ASSETS			6,687		5,350
CAPITAL AND RESERVES					
Called up share capital	18		-		-
Retained earnings	19		6,687		5,350
SHAREHOLDERS' FUNDS			6,687		5,350

The financial statements were approved and authorised for issue by the Board of Directors on 7 November 2019 and were signed on its behalf by:

S J Tysoe - Director

S A Hoare - Director

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2017	-	3,827	3,827
Changes in equity			
Dividends	-	(8,200)	(8,200)
Total comprehensive income	-	9,723	9,723
Balance at 30 June 2018	-	5,350	5,350
Changes in equity			
Dividends	-	(9,500)	(9,500)
Total comprehensive income	-	10,837	10,837
Balance at 30 June 2019	-	6,687	6,687

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

1. STATUTORY INFORMATION

ECL Civil Engineering Limited is a private limited company incorporated in England and Wales under the Companies Act. The address of the registered office is given in the company information section and its principal place of business is at Vanquish House, Wolseley Road, Woburn Road Industrial Estate, Kempston, Bedfordshire.

The financial statements are presented in Sterling (£) and rounded to the nearest thousand.

The Company's principal activities are set out in the strategic report and directors report.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland (March 2018) and the Companies Act 2006. The March 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard. There is no material effect on the amounts recognised in these financial statements as a result of early adopting these amendments.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Going concern
Having completed their assessment the directors have concluded that there are no material uncertainties that cast significant doubt about the ability of the company to continue as a going concern.

The company's business activities, together with the factors likely to affect its future development and financial position have been documented in the strategic report. The company currently has sufficient financial resources together with long term contracts spread over a number of customers.

The directors have reasonable expectations that the company will be able to continue in operational existence for the foreseeable future. On this basis the directors have adopted the going concern basis for preparing the financial statements.

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

continued...

3. **ACCOUNTING POLICIES - continued**

Significant judgements and estimates
In the application of the Company's accounting policies, which are described in the accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

(a) Revenue and profit recognition
The estimation techniques used for revenue and profit recognition in respect of construction contracts and services contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities and changes in costs.

The key judgements and estimates in determining the recognition of construction contracts are:
- o An estimation of costs to completion.
- o An estimation of the remaining revenues.

These assessments include a degree of uncertainty and; therefore, if the key judgements and estimates change unfavourably, then write downs of construction contracts may be necessary.

b) Recoverable value of recognised receivables
The recoverability of trade and other receivables is regularly reviewed in the light of available economic information specific to each receivable and provisions are recognised for balances considered to be irrecoverable.

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3. **ACCOUNTING POLICIES - continued**

Revenue and profit recognition
Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts.

Construction contracts
When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the degree of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract.

Variations arising from construction contracts are included, where they have been agreed with the client.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable.

The principal estimation technique used by the company in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn of each contract. Consistent contract review procedures are in place in respect of contract forecasting.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. Contract costs are recognised as expenses in the period in which they are incurred.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as due from customers on construction contracts within trade and other debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as due to customers on construction contracts within trade and other creditors.

Services
Revenue and profit from services rendered is recognised as and when the service is provided.

Where revenue that has been recognised is found not to be recoverable due to a dispute with the client, these amounts are charged against the revenue recognised. Where non-recovery is as a result of inability of a client to meet its obligations, these amounts are charged to administrative expenses.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 25% on cost
Fixtures and fittings	- 20% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 33% on cost

Stocks
Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

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

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3. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

continued...

3. **ACCOUNTING POLICIES - continued**

Trade and other debtors
Trade and other debtors are initially recognised at the transaction price and; thereafter, stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the debtors are stated at cost less impairment losses for bad and doubtful debts.

A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of debtors. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the profit & loss in operating expenses.

Trade and other creditors
Trade and other creditors are initially recognised at fair value and; thereafter, stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings or current liabilities when applicable.

Provisions for liabilities
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Financial instruments
The company has chosen to adopt Section 11 of FRS 102 in respect of financial instruments.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to or from related parties.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

continued...

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£'000	£'000
Wages and salaries	3,291	2,332
Social security costs	367	250
Other pension costs	117	54
	3,775	2,636

The average number of employees during the year was as follows:

	2019	2018
Directors	3	3
Site and construction personnel	9	7
Office and administration	53	41
	65	51

	2019	2018
	£	£
Directors' remuneration	157,891	94,764
Directors' pension contributions to money purchase schemes	6,098	1,250

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1	1

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019	2018
	£'000	£'000
Depreciation - owned assets	275	537
Depreciation - assets on hire purchase contracts	14	18
Profit on disposal of fixed assets	(190)	-

6. AUDITORS' REMUNERATION

ees payable to the company's auditors are:

	2019	2018
	£'000	£'000
Audit of the company's financial statements	31	23
Tax compliance	3	2
Other services	12	9
	45	35

continued...

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Bank interest	1	-
Directors' loan interest	22	8
Hire purchase	4	4
	27	12

8. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	2,509	2,299
Prior year	(1)	-
Payment in respect of group relief	59	87
Total current tax	2,567	2,386
Deferred tax:		
Origination and reversal of timing differences	12	(64)
Tax on profit	2,579	2,322

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before tax	13,416	12,045
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	2,549	2,288
Effects of:		
Expenses not deductible for tax purposes	28	34
Depreciation in excess of capital allowances	2	-
Adjustments to tax charge in respect of previous periods	(1)	-
Other tax adjustments	1	-
Total tax charge	2,579	2,322

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020.

These changes are not expected to have a significant impact on these financial statements.

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9. **DIVIDENDS**

	2019 £'000	2018 £'000
Ordinary A shares of £1 each		
Interim	9,500	8,200

10. **TANGIBLE FIXED ASSETS**

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST					
At 1 July 2018	2,151	139	241	410	2,941
Additions	1	27	-	100	128
Disposals	(934)	(10)	(72)	(50)	(1,066)
At 30 June 2019	1,218	156	169	460	2,003
DEPRECIATION					
At 1 July 2018	1,942	39	100	181	2,262
Charge for year	97	21	34	137	289
Eliminated on disposal	(906)	(6)	(66)	(50)	(1,028)
At 30 June 2019	1,133	54	68	268	1,523
NET BOOK VALUE					
At 30 June 2019	85	102	101	192	480
At 30 June 2018	209	100	141	229	679

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £'000
COST	
At 1 July 2018 and 30 June 2019	144
DEPRECIATION	
At 1 July 2018	18
Charge for year	14
At 30 June 2019	32
NET BOOK VALUE	
At 30 June 2019	112
At 30 June 2018	126

continued...

11. STOCKS

	2019	2018
	£'000	£'000
Stocks	1,066	705

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Trade debtors	146	310
Amounts owed by group undertakings	-	1,305
Amounts recoverable on contract	21,485	16,689
Other debtors	8	53
Tax	216	-
VAT	1,517	1,443
Deferred tax asset	61	73
Prepayments	75	30
	23,508	19,903

Debtors considered recoverable in more than one year are shown within amounts recoverable on contracts for £246,660 (2018 - £202,220)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Hire purchase contracts (see note 15)	39	44
Payments on account	517	2,519
Trade creditors	17,890	11,328
Amounts owed to group undertakings	4,038	617
Tax	1,359	921
Social security and other taxes	177	139
Other creditors	837	18
Directors' current accounts	136	326
Accrued expenses	113	64
	25,106	15,976

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

	2019	2018
	£'000	£'000
Hire purchase contracts (see note 15)	34	73

15. LEASING AGREEMENTS

Minimum lease payments under hire purchase fall due as follows:

	2019 £'000	2018 £'000
Net obligations repayable:		
Within one year	39	44
Between one and five years	34	73
	73	117

16. SECURED DEBTS

The following secured debts are included within creditors:

	2019 £'000	2018 £'000
Hire purchase contracts	73	117

17. DEFERRED TAX

	£'000
Balance at 1 July 2018	(73)
Charge to Statement of Comprehensive Income during year	12
Balance at 30 June 2019	(61)

Deferred tax is provided at the future effective tax rate of 18.50% (2018 - 19.00%) based on the rates substantively enacted at the balance sheet date, the expected timing of the reversals and the profitability of the company.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
NIL	Ordinary A	£1	-	200
NIL	Ordinary B	£1	-	11
211	Ordinary	£1	211	-
			211	211

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. All ordinary shares rank equally with regard to the Company's residual assets.

Called-up share capital represents the nominal value of shares that have been issued.

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19. RESERVES

	Retained earnings £'000
At 1 July 2018	5,350
Profit for the year	10,837
Dividends	(9,500)
At 30 June 2019	6,687

Retained earnings - includes all current and prior retained period profits and losses of the Company.

20. PENSION COMMITMENTS

The company does not operate a defined benefit pension scheme but a defined contribution pension scheme. The company makes contributions to its pension scheme for employees of the company, including directors. The pension cost charge for the period represents contributions payable by the company to the company pension scheme and amounted to £116,702 (2018 - £53,768). Included in other creditors are amounts outstanding of £15,472 (2018 - £7,824).

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The largest and smallest group in which, the results of the company are consolidated is that headed by the parent company, Esendee Holdings Limited, a company incorporated in England & Wales.

The consolidated financial statements of Esendee Holdings Limited are available to the public and may be obtained from the Registrar of Companies in England & Wales.

22. OTHER FINANCIAL COMMITMENTS

The company and its fellow subsidiary have provided a guarantee for £1,343,034 (2018 - £1,386,349) for a loan held by the parent company. There is also a fixed charge over land owned by the parent company in respect of this loan.

There are unlimited multilateral guarantees given by the company, fellow subsidiaries and the parent company for the year, in favour of National Westminster Bank Plc. The total amount secured as at 30 June 2019, excluding this company was £767,658 (2018 - NIL).

23. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Key management personnel of the entity or its parent (in the aggregate)

	2019 £'000	2018 £'000
Amount due to related party	136	326

continued...

23. RELATED PARTY DISCLOSURES - continued

The loans are unsecured and repayable on demand. During the year a total of £21,810 (2018 - £7,662) interest was paid on these loans.

Key management personnel compensation is considered to be the same as reported under directors' remuneration disclosed in note 4.

Other related parties

	2019	2018
	£'000	£'000
Sales	782	888
Administration charges received	10	33
Amount due from related party	-	368

24. ULTIMATE CONTROLLING PARTY

The ultimate parent company, Esendee Holdings Limited, is under the joint control of Mr S A Hoare and Mr S J Tysoe.