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**ERIC WRIGHT CONSTRUCTION LIMITED**

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



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## ERIC WRIGHT CONSTRUCTION LIMITED

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### COMPANY INFORMATION

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**Directors**

JH Wilson  
JF Carter (resigned 3 December 2018)  
JP Hartley  
RE Wright  
JR Hartnett (appointed 1 January 2018)  
J Eager (appointed 1 January 2018)  
DJ Gosling (appointed 1 January 2018)  
SJ Reid (appointed 1 January 2018)

**Company secretary** M Kumar

**Registered number** 00190204

**Registered office**

Sceptre House  
Sceptre Way  
Bamber Bridge Preston  
PR5 6AW

**INDEPENDENT AUDITOR**

KPMG LLP, Statutory Auditor  
1, St Peter's Square  
Manchester  
M2 3AE

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**ERIC WRIGHT CONSTRUCTION LIMITED**

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**CONTENTS**

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	<b>Page</b>
<b>Strategic Report</b>	<b>1 - 2</b>
<b>Directors' Report</b>	<b>3 - 4</b>
<b>Directors' Responsibilities Statement</b>	<b>5</b>
<b>Independent Auditor's Report</b>	<b>6 - 8</b>
<b>Statement of Comprehensive Income</b>	<b>9</b>
<b>Balance Sheet</b>	<b>10</b>
<b>Statement of Changes in Equity</b>	<b>11</b>
<b>Notes to the Financial Statements</b>	<b>12 - 25</b>

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## ERIC WRIGHT CONSTRUCTION LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

#### ENHANCED BUSINESS REVIEW

##### Performance and development during the year

The results for the year and financial position of the company Eric Wright Construction Limited ("EWC") are as shown in the financial statements on pages 9 to 25.

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 increases, a significant number entered administration. A number of national contractors experienced difficulties with debt and for the second year running resulting in some high profile insolvencies.

The Grenfell tragedy led to turmoil within the insurance market with a number of insurers withdrawing from the UK construction sector. However our claims history, combined with our accredited quality systems and procedures allowed us to renew Professional Indemnity insurance on favourable commercial terms. Grenfell also provided challenges in providing evidence of regulatory compliance as manufacturers withdraw certification for products. Our technical expertise overcame these challenges with minimal disruption to our clients.

Turnover reduced in 2018 to £74.6m (2017: £79.4m), which together with one particular underperforming contract materially impacted financial performance. Reduced turnover related principally to one project which was deferred by the client to facilitate negotiation 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 supply chain members entering administration. As a result overall losses for the year amounted to £2.4m (2017: £0.5m) which whilst extremely disappointing does not reflect the overall performance of the business which delivered multiple complex projects in 2018 on time to exacting quality.

Our operational performance was recognised at the Insider Awards where Eric Wright Construction won the Contractor of the Year award for the second time in three years.

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.

The senior management team oversaw the retention of our ISO 9001, 14001 and 18001 accreditations and pleasingly further improvements in our Health and Safety performance which is benefitting from our behavioural culture programme "Safe People Safe Place" which is increasingly focussed on the health of our workforce including mental health.

Customer Satisfaction and Quality Performance measured by our Key Performance Indicators continued its upward trend. The "Wright First Time" programme was introduced which is designed to ensure our enviable reputation for service and quality is maintained.

The business is at the forefront of providing added value, with our unique business model supported by the Eric Wright Trust making 2018 another exceptional year in helping clients realise social regeneration in our communities. Highlights included:

- Supporting 70 career events attended by over 33,000 students
- Provided 4,782 hours of community support
- Employing 86% of the supply chain local to our sites with a total spend in excess of £52m

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## ERIC WRIGHT CONSTRUCTION LIMITED

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

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#### Principal risks and uncertainties

Construction activity within the region continues to be predominantly residential development within city centre locations, mainly Manchester. Whilst an important source of work, diversification into other sectors is necessary to protect the business in the event of a residential downturn. Staff turnover is extremely low however the recruitment of suitably qualified staff to undertake complex projects remains challenging and may limit future growth.

Supply chain capacity and the quality of their operatives requires careful vetting and management to prevent programme slippage and legacy defects. Our control systems and longstanding relationships with our approved suppliers manages this risk. Brexit provides uncertainty in cost and supply of materials sourced from the EU so all new contracts are currently being amended to reflect this.

#### Financial key performance indicators

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

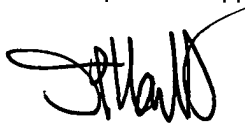
- Gross and net profit by contract
- Turnover secured against target
- Health and safety indicators
- Contract delivery performance and aftercare services
- Quality indicators

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

#### Outlook for 2019

The forward order book already exceeds last year's turnover by 25% and includes a number of new clients. An identified pipeline of projects with existing clients places the business in an excellent position for 2019 and beyond especially given our appointment to the North West Construction Hub Framework which provides access to new work with a range of public sector organisations.

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



**JP Hartley**  
Director

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## ERIC WRIGHT CONSTRUCTION LIMITED

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

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

#### Principal activity

The principal activity of the Company in the year under review was that of a building contractor providing design and construction services for a variety of clients within the commercial, retail, residential, industrial, sport, leisure and transport sectors.

#### Business review

The results for the year and financial position of the company are shown in the financial statements on pages 9 to 25.

#### Results and dividends

The loss for the year, after taxation, amounted to £2,385,251 (2017 - loss £518,302).

No dividend has been declared and paid in the current year (2017: £250,000).

#### Directors

The Directors who served during the year were:

JH Wilson  
JF Carter (resigned 3 December 2018)  
JP Hartley  
RE Wright  
JR Hartnett (appointed 1 January 2018)  
J Eager (appointed 1 January 2018)  
DJ Gosling (appointed 1 January 2018)  
SJ Reid (appointed 1 January 2018)

#### Political and charitable contributions

The Company made charitable donations of £631 for the year ended 31 December 2018 (2017: £1,076).

#### Disclosure of information to auditor

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

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

#### Post balance sheet events

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

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**ERIC WRIGHT CONSTRUCTION LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**AUDITOR**

The auditor, KPMG LLP, Statutory Auditor, will be deemed to be reappointed in accordance with section 487 of the Companies Act 2006

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



**JP Hartley**  
Director

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## **ERIC WRIGHT CONSTRUCTION LIMITED**

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

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The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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



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## ERIC WRIGHT CONSTRUCTION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ERIC WRIGHT CONSTRUCTION LIMITED

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#### Opinion

We have audited the financial statements of Eric Wright Construction Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

#### Basis for opinion

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

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

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

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

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## ERIC WRIGHT CONSTRUCTION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ERIC WRIGHT CONSTRUCTION LIMITED (CONTINUED)

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#### 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 or the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

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## ERIC WRIGHT CONSTRUCTION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ERIC WRIGHT CONSTRUCTION LIMITED (CONTINUED)

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#### Directors' responsibilities

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

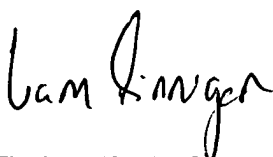
#### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Liam Finnigan (Senior Statutory Auditor)

for and on behalf of  
**KPMG LLP, Statutory Auditor**

1, St Peter's Square  
Manchester  
M2 3AE

28 June 2019

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**ERIC WRIGHT CONSTRUCTION LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Note	2018 £	2017 £
Turnover	3	74,625,650	79,420,055
Cost of sales		(73,610,436)	(77,135,909)
<b>Gross profit</b>		<b>1,015,214</b>	<b>2,284,146</b>
Administrative expenses		(3,451,202)	(2,786,250)
Other operating income	4	16	57
<b>Operating loss</b>	5	<b>(2,435,972)</b>	<b>(502,047)</b>
Income from fixed assets investments		1,446	-
Fair value movement on investments		(6,593)	986
Interest receivable and similar income	9	11,242	3,783
<b>Loss before tax</b>		<b>(2,429,877)</b>	<b>(497,278)</b>
Tax on loss	10	44,626	(21,024)
<b>Loss for the financial year</b>		<b>(2,385,251)</b>	<b>(518,302)</b>
Other comprehensive loss for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(2,385,251)</b>	<b>(518,302)</b>

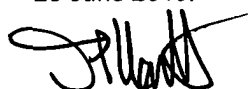
The notes on pages 12 to 25 form part of these financial statements.

**ERIC WRIGHT CONSTRUCTION LIMITED**  
**REGISTERED NUMBER: 00190204**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	12	279,811	345,452
Investments	13	18,899	25,492
		<u>298,710</u>	<u>370,944</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	13,277,756	16,527,777
Cash at bank and in hand		7,236,499	6,314,083
		<u>20,514,255</u>	<u>22,841,860</u>
Creditors: amounts falling due within one year	15	(16,887,637)	(16,854,806)
<b>Net current assets</b>		<u>3,626,618</u>	<u>5,987,054</u>
<b>Total assets less current liabilities</b>		<u>3,925,328</u>	<u>6,357,998</u>
<b>Provisions for liabilities</b>			
Deferred tax	16	-	(8,076)
Other provisions	17	-	(39,343)
		<u>-</u>	<u>(47,419)</u>
<b>Net assets</b>		<u><u>3,925,328</u></u>	<u><u>6,310,579</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	47,334	47,334
Capital redemption reserve		1,972	1,972
Investment reserve		16,767	23,360
Profit and loss account		3,859,255	6,237,913
<b>Shareholders' funds</b>		<u><u>3,925,328</u></u>	<u><u>6,310,579</u></u>

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



**JP Hartley**  
Director

The notes on pages 12 to 25 form part of these financial statements.

ERIC WRIGHT CONSTRUCTION LIMITED

STATEMENT OF CHANGES IN EQUITY  
YEAR ENDING 31 DECEMBER 2018

	Called up share capital	Capital redemption reserve	Investment reserve - unrealised gains	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	47,334	1,972	23,360	6,237,913	6,310,579
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(2,385,251)	(2,385,251)
<b>Total comprehensive loss for the year</b>	-	-	-	(2,385,251)	(2,385,251)
Transfer to investment reserve	-	-	(6,593)	6,593	-
<b>At 31 December 2018</b>	<b>47,334</b>	<b>1,972</b>	<b>16,767</b>	<b>3,859,255</b>	<b>3,925,328</b>

The notes on pages 13 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY  
YEAR ENDING 31 DECEMBER 2017

	Called up share capital	Capital redemption reserve	Investment reserve - unrealised gains	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	47,334	1,972	22,374	7,007,201	7,078,881
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(518,302)	(518,302)
<b>Total comprehensive loss for the year</b>	-	-	-	(518,302)	(518,302)
Dividends: Equity capital	-	-	-	(250,000)	(250,000)
Transfer to investment reserve	-	-	986	(986)	-
<b>At 31 December 2017</b>	<b>47,334</b>	<b>1,972</b>	<b>23,360</b>	<b>6,237,913</b>	<b>6,310,579</b>

The notes on pages 12 to 25 form part of these financial statements.

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## ERIC WRIGHT CONSTRUCTION LIMITED

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

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#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

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

The financial statements have been prepared under the historical cost convention except for listed investments that are stated at fair value, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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

##### 1.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

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

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

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

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## ERIC WRIGHT CONSTRUCTION LIMITED

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

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#### 1. Accounting policies (continued)

##### 1.3 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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

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

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

##### 1.4 Revenue and other operating income

###### *Turnover*

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

###### *Other operating income*

Other operating income is stated net of VAT. It represents fees charged on specific payroll deductions administered through the payroll system and charged out as a fee to employees.

##### 1.5 Tangible fixed assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.



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## ERIC WRIGHT CONSTRUCTION LIMITED

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

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#### 1. Accounting policies (continued)

##### 1.5 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Long-term leasehold property	-	4% on cost
Plant and machinery	-	20% on reducing balance
Motor vehicles	-	25% on reducing balance
Fixtures and fittings	-	15% on reducing balance

##### 1.6 Valuation of investments

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

##### 1.7 Long term contracts and amounts recoverable on contracts

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

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

##### 1.8 Debtors

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

##### 1.9 Creditors

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

##### 1.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

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## ERIC WRIGHT CONSTRUCTION LIMITED

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

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#### 1. Accounting policies (continued)

##### 1.11 Pensions

###### Defined contribution pension plan

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

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

##### 1.12 Interest income

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

##### 1.13 Current and deferred taxation

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

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

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

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

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

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**ERIC WRIGHT CONSTRUCTION LIMITED**

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

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

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

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

**3. Turnover**

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

	2018 £	2017 £
Design and construction services	<u>74,625,650</u>	<u>79,420,055</u>

All turnover arose within the United Kingdom.

**4. Other operating income**

	2018 £	2017 £
Other operating income	<u>16</u>	<u>57</u>

**5. EXPENSES AND AUDITOR'S REMUNERATION**

Included in the loss for the year are the following:

	2018 £	2017 £
Depreciation of tangible fixed assets	98,684	86,438
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	34,870	29,471
Defined contribution pension cost	<u>698,724</u>	<u>681,184</u>

Fees for other non-audit services and taxation are borne by Eric Wright Group Limited.

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**ERIC WRIGHT CONSTRUCTION LIMITED**

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

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**6. Employees**

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>5,775,283</b>	<b>5,910,061</b>
Social security costs	<b>672,613</b>	<b>670,963</b>
Cost of defined contribution scheme	<b>698,724</b>	<b>681,184</b>
	<b>7,146,620</b>	<b>7,262,208</b>

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Direct Labour	<b>29</b>	<b>33</b>
Administration	<b>118</b>	<b>116</b>
	<b>147</b>	<b>149</b>

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ERIC WRIGHT CONSTRUCTION LIMITED

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

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7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	531,814	142,404
Company contributions to defined contribution pension schemes	113,974	35,396
	<u>645,788</u>	<u>177,800</u>

During the year retirement benefits were accruing to 5 Directors (2017 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £126,117 (2017 - £129,689).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £37,341 (2017 - £35,063).

Directors' emoluments for the services of certain directors to the company are borne by companies within the Eric Wright Group Limited. An appropriate allocation of their remuneration for services to this company would be £10,000 (2017: £10,000). No recharge for these services is recognised in the financial statements.

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ERIC WRIGHT CONSTRUCTION LIMITED

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

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8. Income from investments

	2018 £	2017 £
Income from current asset investments	1,446	-

9. Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	11,242	3,783

10. Taxation

	2018 £	2017 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	727	-
<b>Total current tax</b>	727	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(41,878)	11,812
Adjustment for prior periods	(3,475)	9,212
<b>Total deferred tax</b>	(45,353)	21,024
<b>Taxation on loss</b>	(44,626)	21,024

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ERIC WRIGHT CONSTRUCTION LIMITED

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

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10. Taxation (continued)

**Factors affecting tax (credit)/charge for the year**

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

	2018 £	2017 £
Loss before tax	(2,429,877)	(497,278)
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(461,677)	(95,726)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,764	1,741
Capital allowances for year in excess of depreciation	1,441	1,460
Income not taxable	978	-
Impact of change in deferred tax rates and difference between current and deferred tax rates	4,927	(1,562)
Group relief surrendered	410,689	105,899
Adjustment in respect of prior period - deferred tax	(3,475)	9,212
Adjustment in respect of prior period	727	-
<b>Total tax (credit)/charge for the year</b>	<b>(44,626)</b>	<b>21,024</b>

**Factors that may affect future tax charges**

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

11. Dividends

	2018 £	2017 £
Dividends paid	-	250,000

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**ERIC WRIGHT CONSTRUCTION LIMITED**

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

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**12. Tangible fixed assets**

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 January 2018	189,570	1,061,279	98,747	1,103,886	2,453,482
Additions	-	39,431	-	25,666	65,097
Disposals	-	(33,034)	(98,747)	(10,506)	(142,287)
At 31 December 2018	<u>189,570</u>	<u>1,067,676</u>	<u>-</u>	<u>1,119,046</u>	<u>2,376,292</u>
<b>Depreciation</b>					
At 1 January 2018	180,841	805,607	68,771	1,052,811	2,108,030
Charge for the year	7,580	51,734	-	39,370	98,684
Disposals	-	(32,132)	(68,771)	(9,330)	(110,233)
At 31 December 2018	<u>188,421</u>	<u>825,209</u>	<u>-</u>	<u>1,082,851</u>	<u>2,096,481</u>
<b>Net book value</b>					
At 31 December 2018	<u>1,149</u>	<u>242,467</u>	<u>-</u>	<u>36,195</u>	<u>279,811</u>
At 31 December 2017	<u>8,729</u>	<u>255,672</u>	<u>29,976</u>	<u>51,075</u>	<u>345,452</u>



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ERIC WRIGHT CONSTRUCTION LIMITED

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

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13. Fixed asset investments

	Listed investments £
<b>Cost or valuation</b>	
At 1 January 2018	25,492
Revaluations	(6,593)
At 31 December 2018	<u>18,899</u>
<b>Net book value</b>	
At 31 December 2018	<u><u>18,899</u></u>

*Listed investments*

The fair value of the listed investments at 31 December 2018 was £18,899 (2017: £25,492) in line with their market value.

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**ERIC WRIGHT CONSTRUCTION LIMITED**

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

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**14. Debtors**

	2018 £	2017 £
Trade debtors	7,332,974	8,662,868
Amounts owed by group undertakings	2,591,017	3,170,714
Other debtors	37,570	19,501
Prepayments and accrued income	124,388	173,170
Amounts recoverable on long term contracts	3,154,530	4,501,524
Deferred taxation (note 16)	37,277	-
	<u>13,277,756</u>	<u>16,527,777</u>

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

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

	2018 £	2017 £
Payments received on account	2,171,177	1,239,995
Trade creditors	11,960,587	12,285,249
Amounts owed to group undertakings	1,516,217	1,391,110
Other taxation and social security	447,361	1,024,768
Other creditors	84,936	56,555
Accruals and deferred income	707,359	857,129
	<u>16,887,637</u>	<u>16,854,806</u>

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

**16. Deferred taxation**

	2018 £
At 1 January 2018	(8,076)
Credited to the profit and loss	45,353
<b>At 31 December 2018</b>	<u><u>37,277</u></u>

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ERIC WRIGHT CONSTRUCTION LIMITED

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

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**16. Deferred taxation (continued)**

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(19,630)	(23,158)
Short term timing differences	9,322	15,082
Other timing differences	47,585	-
<b>Deferred tax asset/(liability)</b>	<b>37,277</b>	<b>(8,076)</b>

**17. Provisions**

	Ex-Gratia payments due to former directors £
At 1 January 2018	39,343
Credited to the profit and loss	(39,343)
<b>At 31 December 2018</b>	<b>-</b>

A provision for ex-gratia payments for former employees was made in a prior year. This provision was being released at £38,000 per annum over the seven year period ended 31 December 2018.

**18. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
473,340 Ordinary shares of £0.10 each	47,334	47,334

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## ERIC WRIGHT CONSTRUCTION LIMITED

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

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#### 19. Contingent liabilities

The company has given an unlimited cross guarantee against the bank borrowings of Eric Wright Group Limited and all other group companies in relation to the Group's RBS revolving credit facility of which £20m was drawn at year end. This is supported by a first legal charge over certain group assets.

#### 20. Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension charge for the year is £698,724 (2017: £681,184) and the amount due to the scheme at the year end is £57,708 (2017: £51,420).

#### 21. Related party transactions

##### East Lancashire Capital Projects Limited

During a prior year the company supplied construction services to East Lancashire Capital Projects Limited, a company in which Eric Wright Group Limited has an interest. Eric Wright Group Limited has a 60% shareholding in the parent company of East Lancashire Capital Projects Limited. Goods and services totalling £1,472,000 (2017: £nil) were supplied to East Lancashire Capital Projects Limited in the year. An amount of £nil (2017: £133,445) was owed by East Lancashire Capital Projects Limited as at 31 December 2018 in relation to retention monies due.

##### Blackpool Local Education Partnership Limited

During the year the company supplied construction services to Blackpool Local Education Partnership Limited, a company in which Eric Wright Group Limited has an interest. Eric Wright Group Limited has an 80% shareholding in the company. Goods and services totalling £1,165,739 (2017: £1,121,695) were supplied to Blackpool Local Education Partnership Limited in the year. An amount of £nil (2016: £nil) was owed by Blackpool Local Education Partnership Limited as at 31 December 2018.

The company has taken advantage of the exemption conferred by section 33.1A of FRS 102 allowing it not to disclose transactions and balances with other wholly owned subsidiaries of Henmead Limited.

#### 22. Controlling party

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

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