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REGISTERED NUMBER: 01151561 (England and Wales)

NEILCOTT CONSTRUCTION LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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FOR THE YEAR ENDED 31 DECEMBER 2017

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NEILCOTT CONSTRUCTION LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS:

M C Elster
J Gissane
N Harrison
S T Wilson

REGISTERED OFFICE:

Excel House
Cray Avenue
Orpington
BR5 3ST

REGISTERED NUMBER:

01151561 (England and Wales)

AUDITORS:

Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London
SE1 9QR

NEILCOTT CONSTRUCTION LIMITED (REGISTERED NUMBER: 01151561)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their strategic report for the year ended 31 December 2017.

REVIEW OF BUSINESS

The key financial highlights are as follows:

	2017	2016	2015	2014
	£	£	£	£
Turnover	103,688,661	99,627,668	82,922,208	66,683,736
Change in turnover	4.08%	20.15%	24.35%	13.85%
Gross margin	13,149,536	11,834,008	9,093,181	6,689,016
	12.68%	11.88%	10.97%	10.00%
Operating profit /(loss)	7,285,914	6,548,335	4,559,947	2,204,128
Working capital	9,099,021	7,750,546	6,297,354	5,215,070

2017 trading set out herein reflects a consolidation of the growth of recent times and delivers another strong performance during the year. Turnover during the year grew to £103.7m, an increase of 3% measured against 2016, without any loss of gross margin, resulting in an increase in net operating profit to £6.4m. Prudent control of cash within the business has been maintained with cash held increasing significantly to £25.2m at year end.

Enquiry levels matched the record levels of 2016 whilst the conversion rate was maintained at 1:4.5. Existing key trading relationships were further developed. In particular relationships in the burgeoning housing market were both broadened and strengthened, with repeat orders received from existing clients and activity expanding to include a number of new clients.

PRINCIPAL RISKS AND UNCERTAINTIES

Business risks

The company's turnover represents but a fraction of the workload which is potentially available within the market, therefore provided flexibility is retained to allow the company to respond to possible changes in market demographics and provided standards of delivery are maintained, the company will continue to be largely immune to cyclical market trends.

Financial risks

The company's principal financial instruments comprise bank balances, intercompany loans, other debtors and other creditors. The main purpose of these instruments is to finance the company's operations. The nature of the financial instruments used by the company is such that their market value does not fluctuate as a result of changes in market prices. The company's approach to managing the risks applicable to the financial instruments concerned is as below.

Credit risks

Credit risk is minimised by assessing all new and existing customers for creditworthiness and implementing arrangements as appropriate such as to provide for security of payments.

Liquidity risks

Liquidity risk is managed by prudent management of cash within the business enabling day to day operations and long term expansion of the business to be funded without recourse to external finance. The directors regularly review cash held within the business in terms of both the immediate and future cash requirements to ensure commitments are met as they fall due and allowing prudent levels of reserve such as to protect the business from unexpected debtor issues. Cash levels held enable bonds to be procured at competitive rates to support both current turnover and further planned expansion of turnover

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

OBJECTIVES

The group aims to be the preferred contractor of choice for its clients. This will be achieved through consistently delivering the required end product in terms of time, cost and quality, in a manner which respects the overriding and absolute requirement to maintain the health, safety and welfare of all those who may come into contact with our activities. All of our activities, large and small are therefore undertaken with a view to exceeding expectations wherever possible. By so doing and by adopting and promoting a collaborative approach throughout, the construction process is rendered an enjoyable and rewarding experience for all. This approach will support long term, repeat order trading relationships with clients and their advisors who value both the nature of the end product and the manner in which it is delivered. Development of such relationships provides the opportunity to secure steady work streams with a likeminded client base whose credentials can be relied upon, affording the group the best opportunity to realise a fair return on its activities.

The group also aspires for similar excellence across a broader range of activities. Continuous improvement is sought in respect of the impact of the group's activities upon the environment, seeking not just to minimise the potential for adverse impact but actively seeking out opportunities to create positive impacts. The group also recognises that having a significant stake in the public sector supply chain imposes responsibilities upon the group to maximise opportunities to generate community benefits arising from local capital expenditure.

OPERATING MODEL

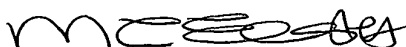
Fundamental to achieving these objectives is attracting, developing and retaining a high calibre and highly motivated management team who share the group's collaborative ethos and for whom a proactive approach to problem solving is second nature. Such staff will be motivated by the challenges offered by the most demanding projects whereupon higher level skill sets can create the greatest competitive advantage.

The group's approach to construction requires a stable supply chain to be maintained comprising partners who share the group's ambitions and who possess the necessary technical credentials to allow them to contribute positively to the construction process whilst being able to provide appropriate levels of commercial security. Adoption of fair procurement and payment practices and provision of exemplary working environments promotes a partnership approach to working with the supply chain, ensuring the highest standards are achieved whilst allowing our partners to realise their own commercial expectations.

FORWARD PLANNING

The group's immediate ambition is to maintain turnover at its current level whilst continuing to enhance management resources and group infrastructure such as to provide opportunity to respond positively with the numerous opportunities for further growth in the medium term which exist. Such growth is seen as important in order to continue to create opportunities for personal development amongst the management team within the group. The group however remains committed to maintaining profitability at its current level therefore future expansion must be on the basis that the additional risk inextricably linked to additional workload is properly balanced by increased profitability.

ON BEHALF OF THE BOARD:



M C Elster - Director

Date: 04/04/18

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of construction.

DIVIDENDS

The company paid dividends of £4,300,000 (2016: £3,788,542) during the year.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

M C Elster
J Gissane
N Harrison
S T Wilson

FINANCIAL INSTRUMENTS

The company's financial instruments at the balance sheet date comprised cash and liquid resources. The main purpose of these financial instruments is to provide finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

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:

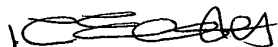
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

ON BEHALF OF THE BOARD:



M C Elster - Director

Date: 04/04/18

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
NEILCOTT CONSTRUCTION LIMITED**

Opinion

We have audited the financial statements of Neilcott Construction Limited (the 'company') for the year ended 31 December 2017 on pages seven to twenty. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
NEILCOTT CONSTRUCTION LIMITED**

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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.

Our 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 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.

Wilkins Kennedy LLP

Catherine Cooper (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London
SE1 9QR

Date: 5/4/18

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
TURNOVER	4	103,688,661	99,627,668
Cost of sales		<u>90,539,125</u>	<u>87,793,660</u>
GROSS PROFIT		13,149,536	11,834,008
Administrative expenses		<u>5,863,622</u>	<u>5,286,173</u>
		7,285,914	6,547,835
Other operating income		-	500
OPERATING PROFIT	7	7,285,914	6,548,335
Interest receivable and similar income		<u>8,226</u>	<u>97,903</u>
PROFIT BEFORE TAXATION		7,294,140	6,646,238
Tax on profit	8	<u>1,714,123</u>	<u>1,399,216</u>
PROFIT FOR THE FINANCIAL YEAR		5,580,017	5,247,022
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>5,580,017</u>	<u>5,247,022</u>

The notes form part of these financial statements

NEILCOTT CONSTRUCTION LIMITED (REGISTERED NUMBER: 01151561)

BALANCE SHEET
31 DECEMBER 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	10	258,798	327,256
CURRENT ASSETS			
Debtors	11	32,001,939	25,636,215
Cash at bank		25,228,031	21,836,783
		<u>57,229,970</u>	<u>47,472,998</u>
CREDITORS			
Amounts falling due within one year	12	48,130,949	39,722,452
NET CURRENT ASSETS		<u>9,099,021</u>	<u>7,750,546</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,357,819</u>	<u>8,077,802</u>
CAPITAL AND RESERVES			
Called up share capital	16	500,000	500,000
Retained earnings	17	8,857,819	7,577,802
SHAREHOLDERS' FUNDS		<u>9,357,819</u>	<u>8,077,802</u>

The financial statements were approved by the Board of Directors on 4/02/18 and were signed on its behalf by:



M C Elster - Director

The notes form part of these financial statements

NEILCOTT CONSTRUCTION LIMITED (REGISTERED NUMBER: 01151561)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	500,000	6,119,322	6,619,322
Changes in equity			
Dividends	-	(3,788,542)	(3,788,542)
Total comprehensive income	-	5,247,022	5,247,022
Balance at 31 December 2016	<u>500,000</u>	<u>7,577,802</u>	<u>8,077,802</u>
Changes in equity			
Dividends	-	(4,300,000)	(4,300,000)
Total comprehensive income	-	5,580,017	5,580,017
Balance at 31 December 2017	<u>500,000</u>	<u>8,857,819</u>	<u>9,357,819</u>

The notes form part of these financial statements

NEILCOTT CONSTRUCTION LIMITED (REGISTERED NUMBER: 01151561)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	9,182,429	13,702,830
Tax paid		(1,467,312)	(1,015,384)
Net cash from operating activities		<u>7,715,117</u>	<u>12,687,446</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(32,095)	(102,729)
Sale of tangible fixed assets		-	500
Interest received		8,226	97,903
Net cash from investing activities		<u>(23,869)</u>	<u>(4,326)</u>
Cash flows from financing activities			
Equity dividends paid		(4,300,000)	(3,788,542)
Net cash from financing activities		<u>(4,300,000)</u>	<u>(3,788,542)</u>
Increase in cash and cash equivalents		<u>3,391,248</u>	<u>8,894,578</u>
Cash and cash equivalents at beginning of year	2	21,836,783	12,942,205
Cash and cash equivalents at end of year	2	<u><u>25,228,031</u></u>	<u><u>21,836,783</u></u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit before taxation	7,294,140	6,646,238
Depreciation charges	107,285	97,441
Profit on disposal of fixed assets	-	(500)
Finance income	(8,226)	(97,903)
	<u>7,393,199</u>	<u>6,645,276</u>
Increase in trade and other debtors	(2,095,953)	(4,070,390)
Increase in trade and other creditors	3,885,183	11,127,944
	<u>9,182,429</u>	<u>13,702,830</u>
Cash generated from operations	<u><u>9,182,429</u></u>	<u><u>13,702,830</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>25,228,031</u>	<u>21,836,783</u>

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<u>21,836,783</u>	<u>12,942,205</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. STATUTORY INFORMATION

Neilcott Construction Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in sterling (£) which is also the functional currency for the company.

Going concern

After reviewing the company's forecasts and projections and taking into account the economic conditions and possible changes in trading performance, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Related party exemption

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.

Turnover

Revenue is measured as the value of the consideration received or receivable for goods provided, net of trade discounts and value added tax.

Revenue is recognised as follows:

Construction income

Revenue from construction activities represents the value of work carried out during the year, including amounts not invoiced.

Interest income

Interest income is recognised using the effective interest method.

Pre - contract costs

Costs associated with bidding for contracts are written off as incurred (pre-contract costs).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES - continued**Tangible fixed assets**

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

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, on a straight line basis, of each asset evenly over its expected useful economic life, as follows:

Leasehold improvements	15% per annum
Plant, computers and office equipment	15 - 33.3% per annum
Motor Vehicles	25% per annum

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

Construction contracts

When the outcome of individual contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion at the reporting date.

Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract.

No margin is recognised until the outcome of the contract can be estimated with reasonable certainty.

Provision is made for all known or expected losses on individual contracts once such losses become reasonably apparent.

Revenue in respect of variations to contracts, or other income due under contracts is recognised when it is probable it will be agreed by the customer.

Trade and other debtors

Trade and other debtors are measured at transaction price less any impairment unless the arrangement constitutes a financing transaction in which case the transaction is measured at the present value of the future receipts discounted at the prevailing market rate of interest. Loans are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Trade and other creditors

Trade and other creditors are measured at their transaction price unless the arrangement constitutes a financing transaction in which case the transaction is measured at present value of future payments discounted at prevailing market rate of interest. Other financial liabilities are initially measured at fair value net of their transaction costs. They are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

2. **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 taxation

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.

Employee benefits

Short term employee benefits, including holiday entitlement and other non-monetary benefits, and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

The company recognises an accrual for accumulated annual leave accrued by employees as a result of services rendered in the current period for which employees can carry forward and use within the next year. The accrual is measured at the salary cost of the respective employee in relation to the period of absence.

Provisions

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 the present value using a pre-tax discount code rate. The unwinding of the discount is recognised as a finance costs in profit or loss in the period it arises.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management 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 a continuing 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 judgements and sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Leases

Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee, on a lease by lease basis.

Tangible fixed assets

Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Bad debt provision

Bad debts are provided for specific debts when required.

Revenue and margin recognition

The company's construction revenue recognition and margin recognition policies which are set out earlier in Note 2 are central to how the company values the work it has carried out in the financial year.

These policies require forecasts to be made of the outcomes of construction contracts for building works which require assessments and judgements to be made on the recovery of changes in the scope of the work, contract programme issues, maintenance and defects liabilities and changes in costs.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2017 £	2016 £
United Kingdom	103,688,661	99,627,668
	<u>103,688,661</u>	<u>99,627,668</u>

5. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	11,603,554	10,589,389
Social security costs	1,357,341	1,237,910
Other pension costs	324,758	314,116
	<u>13,285,653</u>	<u>12,141,415</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 20175. **EMPLOYEES AND DIRECTORS - continued**

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

	2017	2016
Management and administration	138	132
Direct Labour	21	22
	<u>159</u>	<u>154</u>

6. **DIRECTORS' EMOLUMENTS**

	2017 £	2016 £
Directors' remuneration	598,007	696,292
Directors' pension contributions to money purchase schemes	<u>30,192</u>	<u>66,595</u>

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

Money purchase schemes	<u>3</u>	<u>3</u>
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Information regarding the highest paid director is as follows:

	2017 £	2016 £
Emoluments etc	306,326	266,743
Pension contributions to money purchase schemes	<u>11,648</u>	<u>7,256</u>

7. **OPERATING PROFIT**

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

	2017 £	2016 £
Depreciation - owned assets	107,285	97,441
Profit on disposal of fixed assets	-	(500)
Auditors' remuneration	17,575	17,300
Auditors' remuneration for non audit work	2,150	2,050
Hire of plant and machinery	1,187,693	1,145,924
Rental payable	<u>95,000</u>	<u>95,000</u>

8. **TAXATION****Analysis of the tax charge**

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

	2017 £	2016 £
Current tax:		
UK corporation tax	1,751,859	1,405,480
Adjustment for prior year R&D	<u>(61,701)</u>	-
Total current tax	1,690,158	1,405,480
Deferred tax	<u>23,965</u>	<u>(6,264)</u>
Tax on profit	<u>1,714,123</u>	<u>1,399,216</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

8. TAXATION - continued**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:

	2017 £	2016 £
Profit before tax	<u>7,294,140</u>	<u>6,646,238</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	1,458,828	1,329,248
Effects of:		
Expenses not deductible for tax purposes	179,331	54,128
Capital allowances in excess of depreciation	-	(2,786)
Depreciation in excess of capital allowances	19,486	-
Adjustments to tax charge in respect of previous periods	(61,701)	-
Changes in tax rates	94,214	24,890
Movement on deferred tax	<u>23,965</u>	<u>(6,264)</u>
Total tax charge	<u><u>1,714,123</u></u>	<u><u>1,399,216</u></u>

9. DIVIDENDS

	2017 £	2016 £
Ordinary shares of £1 each		
Final	<u><u>4,300,000</u></u>	<u><u>3,788,542</u></u>

10. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Motor vehicles £	Totals £
COST				
At 1 January 2017	375,679	19,527	257,879	653,085
Additions	24,484	-	14,343	38,827
Disposals	-	-	(6,731)	(6,731)
At 31 December 2017	<u>400,163</u>	<u>19,527</u>	<u>265,491</u>	<u>685,181</u>
DEPRECIATION				
At 1 January 2017	145,453	18,430	161,946	325,829
Charge for year	60,024	1,097	46,164	107,285
Eliminated on disposal	-	-	(6,731)	(6,731)
At 31 December 2017	<u>205,477</u>	<u>19,527</u>	<u>201,379</u>	<u>426,383</u>
NET BOOK VALUE				
At 31 December 2017	<u><u>194,686</u></u>	<u><u>-</u></u>	<u><u>64,112</u></u>	<u><u>258,798</u></u>
At 31 December 2016	<u><u>230,226</u></u>	<u><u>1,097</u></u>	<u><u>95,933</u></u>	<u><u>327,256</u></u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade debtors	10,373,799	8,926,182
Amounts owed by group undertakings	12,309,611	8,009,611
Amounts recoverable on contract	8,702,297	8,107,629
Other debtors	19,851	49,354
Deferred tax asset	51,134	75,099
Prepayments and accrued income	545,247	468,340
	<u>32,001,939</u>	<u>25,636,215</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Payments on account	1,949,304	6,561,080
Trade creditors	28,145,592	20,865,185
Amounts owed to group undertakings	11,343,265	7,043,265
Tax	622,846	400,000
Other creditors	975,825	900,840
Accruals and deferred income	5,094,117	3,952,082
	<u>48,130,949</u>	<u>39,722,452</u>

13. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £	2016 £
Within one year	149,342	143,002
Between one and five years	431,644	458,694
	<u>580,986</u>	<u>601,696</u>

14. FINANCIAL INSTRUMENTS

The company has the following financial instruments:

	2017 £	2016 £
Financial assets measured at amortised cost		
- Cash	25,228,031	21,836,783
- Trade debtors	10,373,799	8,926,182
- Amounts owed by group undertakings	12,309,611	8,009,611
- Other debtors	19,851	49,354
Financial liabilities measured at amortised cost		
- Payments on account	1,949,304	6,561,080
- Trade creditors	28,145,592	20,865,185
- Amounts owed to group undertakings	11,343,265	7,043,265
- Other creditors	975,825	900,840

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

15. DEFERRED TAX

	£
Balance at 1 January 2017	(75,099)
Charge to Statement of Comprehensive Income during year	<u>23,965</u>
Balance at 31 December 2017	<u>(51,134)</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2017	2016
			£	£
500,000	Ordinary	£1	<u>500,000</u>	<u>500,000</u>

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

17. RESERVES

	Retained earnings £
At 1 January 2017	7,577,802
Profit for the year	5,580,017
Dividends	<u>(4,300,000)</u>
At 31 December 2017	<u>8,857,819</u>

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

18. PENSION COMMITMENTS

The company has a money purchase pension scheme for its present directors and employees. Premiums to this scheme charged during the year and amounts owing at the year end were as follows:

	2017 £	2016 £
Premiums charged to the scheme during the year	<u>324,758</u>	<u>314,116</u>
Amount due to the pension scheme at the year end	<u>74,566</u>	<u>119,583</u>

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Neilcott Holdings Limited through which all operational group management is carried out.

Tyrolese (751) Limited is regarded by the directors as being the company's ultimate parent company, a company incorporated in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that of Tyrolese (751) Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

20. RELATED PARTY DISCLOSURES

Key Management Personnel Compensation

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of those individuals is £2,636,721 (2016: £2,570,389).