Company Registration No. 01151561 (England and Wales)

NEILCOTT CONSTRUCTION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

NEILCOTT CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	N Harrison	
	M C Elster	
	R Weatherston	
	J Gissane	
	P Reeves	(Appointed 8 June 2021)
Company number	01151561	
Registered office	Excel House Cray Avenue Orpington Kent United Kingdom BR5 3ST	
Auditor	Azets Audit Services Greytown House 221-227 High Street Orpington Kent United Kingdom BR6 0NZ	

NEILCOTT CONSTRUCTION LIMITED

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NEILCOTT CONSTRUCTION LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business
The key financial highlights are as follows:

	2020 £	2019 £	2018 £	2017 £
Turnover	**74,875,733**	100,540,951	100,619,077	103,688,661
Change in turnover	**(25.53)%**	(0.08)%	(2.96)%	4.08%
Gross margin	**21,317,656** **28.47%**	13,285,807 13.21%	14,064,383 13.98%	13,149,536 12.68%
Operating profit /(loss)	**16,909,136**	6,618,069	7,258,170	7,285,914
Profit for the financial year (after tax)	**13,564,746**	5,937,901	5,716,052	5,580,017
Working capital	**22,918,820**	12,032,832	10,542,816	9,099,021

The 2020 results for Neilcott Construction Ltd (the 'Company') set out herein reflects a 25% drop in turnover brought about by the COVID pandemic which dictated that public sector tender awards all but dried up during Q2 and Q3. As a consequence of the reduction in turnover an element of restructuring was necessary during 2020, the full cost of £645,150 being accounted for within the 2020 result. In addition a review of all specific contract provisions took place. The result of this review was a release of £9,715,000 of specific contract provisions whilst leaving in place a maintenance reserve on all live projects and projects yet to have making good defects certificates issued in the amount of £1,755,000 at the year end. The release of the specific contract provisions reflects a change in circumstances prompted by the pandemic, a reduced number of live projects at the year end, but also in adapting the policy for provisioning that had been in place for a long period of time reflecting uncertainties and difficult economic circumstances during the previous decades derived from pressures imposed by the company's previous owners.

Despite the unique challenges presented by the pandemic, production was maintained on all projects which enabled us to meet critical deadlines for our clients. The support received from our many appreciative clients together with the unrivaled talent, commitment and tenacity of our staff meant that 2020 produced another successful year's trading, returning a comparative gross margin after stripping out of the release of the specific contract provisions translating to an Operating profit of £7,194,136 (9.56 %).

During the year key traditional trading relationships were maintained with education and housing continuing to represent a substantial element of workload, along with a welcome increase in healthcare related projects. The year also saw a continuation of the company's framework success which accounts for a growing proportion of workload.

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 continue to respond proactively 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. Clearly the COVID-19 pandemic continues to present risks as restrictions are eased and social interaction increases into the winter months. The company will continue to put the health and well being of our staff, our supply chain and all those who might come into contact with our activities at the forefront of our planning. Our success in overcoming the challenges of 2020 should however put us in a good stead to respond to further challenges in the future without undue detriment to our activities.

As we have emerged from the pandemic, like all industries, we have experienced localised issues with supply of both labour and materials however the risk was largely foreseen and pricing levels were adjusted in order to reflect anticipated trading conditions. On longer term projects secured prior to the pandemic some loss of margin has been sustained however this will not be such as to impact 2021 outcomes which are expected to return to near pre pandemic levels.

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 will ensure that financial challenges arising as a consequence any resurgence of the pandemic can be absorbed without distress and opportunities which will arise as the pandemic's effects continue to subside can be successfully exploited. Cash levels will also enable bonds to continue to be procured at competitive rates.

Statement by the directors relating to their statutory duties under S172(1) Companies Act 2006

Objectives

The company 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 company the best opportunity to realise a fair return on its activities.

The company also aspires for similar excellence across a broader range of activities. Continuous improvement is sought in respect of the impact of the company'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 company also recognises that having a significant stake in the public sector supply chain imposes a responsibility to maximise opportunities to generate community benefits arising from local capital expenditure and takes proactive steps to support this agenda.

Operating model

Fundamental to achieving these objectives is attracting, developing and retaining a high calibre and highly motivated management team who share the company'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 company's approach to construction requires a stable supply chain to be maintained comprising partners who share the company'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 increase in activity as we have emerged from the pandemic has been dramatic and as a consequence in 2021 turnover is expected to return to circa £100m with profitability being maintained at or near historic levels. This further evidences the company's ability to adapt quickly and effectively to changing market circumstances and also reflects the depth of emerging managerial talent within the company at all levels. With £70m turnover already booked for 2022 and £25m booked for 2023, this management strength will secure the company's continued success into the future.

On behalf of the board

R Weatherston
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R Weatherston

Director

Date: 17-09-21

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities
The principal activity of the company continued to be that of construction.

Results and dividends
The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £2,800,000 (2019: £4,300,000) during the year.

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

N Harrison	
M C Elster	
R Weatherston	
J Gissane	
P Reeves	(Appointed 8 June 2021)

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.

Auditor
On 7 September 2020 Group Audit Services Limited, trading as Wilkins Kennedy Audit Services, changed it's name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

Energy and carbon report

Energy consumption	**kWh**	**kWh**
Aggregate of energy consumption in the year		
- Electricity purchased	115,523	
		115,523

Emissions of CO2 equivalent	**Metric tonnes**	**Metric tonnes**
Scope 1 - direct emissions		
- Gas combustion	-	
- Fuel consumed for owned transport	24.80	
		24.80
Scope 2 - indirect emissions		
- Electricity purchased		26,933.00
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the company		-
Total gross emissions		26,957.80
Intensity ratio		
Tonnes CO2e per employee		103.68

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per full time employees, the recommended ratio for the sector.

Measures taken to improve energy efficiency

The group has engaged in looking more closely at monitoring overall emission levels by reducing where possible the use of fossil burning vehicles, plant and other equipment by moving towards hybrid and electric forms. The use of modern and advancing media communications are also leading to less forms of transportation requirements across the group.

Statement of directors' responsibilities
The directors are responsible for preparing the annual 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 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 UK 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.

Strategic report
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

R Weatherston

R Weatherston
Director

Date: 17 - 09 - 21

INDEPENDENT AUDITOR'S REPORT

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 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

We have nothing to report in respect of the following matters 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: https:// www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Azets Audit Services

Catherine Cooper (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

Date: 17/9/21

Chartered Accountants
Statutory Auditor

Greytown House
221-227 High Street
Orpington
Kent
United Kingdom
BR6 0NZ

NEILCOTT CONSTRUCTION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	74,875,733	100,540,951
Cost of sales		(53,558,077)	(87,255,144)
Gross profit		21,317,656	13,285,807
Administrative expenses		(4,748,975)	(6,667,738)
Other operating income		340,455	-
Operating profit	4	16,909,136	6,618,069
Interest receivable and similar income		46,637	98,482
Profit before taxation		16,955,773	6,716,551
Tax on profit	8	(3,391,027)	(778,650)
Profit for the financial year		13,564,746	5,937,901

The profit and loss account has been prepared on the basis that all operations are continuing operations.

NEILCOTT CONSTRUCTION LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	10		257,698		378,940
Current assets					
Debtors	11	35,303,869		37,789,318	
Cash at bank and in hand		30,688,185		31,951,921	
		65,992,054		69,741,239	
Creditors: amounts falling due within one year	12	(43,073,234)		(57,708,407)	
Net current assets			22,918,820		12,032,832
Net assets			23,176,518		12,411,772
Capital and reserves					
Called up share capital	15		500,000		500,000
Profit and loss reserves			22,676,518		11,911,772
Total equity			23,176,518		12,411,772

The financial statements were approved by the board of directors and authorised for issue on 17-09-21 and are signed on its behalf by:

RWeatherston

R Weatherston
Director

Company Registration No. 01151561

NEILCOTT CONSTRUCTION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		500,000	10,273,871	10,773,871
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	5,937,901	5,937,901
Dividends	9	-	(4,300,000)	(4,300,000)
Balance at 31 December 2019		500,000	11,911,772	12,411,772
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	13,564,746	13,564,746
Dividends	9	-	(2,800,000)	(2,800,000)
Balance at 31 December 2020		500,000	22,676,518	23,176,518

NEILCOTT CONSTRUCTION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Cash flows from operating activities					
Cash generated from operations	20		1,686,702		3,428,126
Income taxes paid			(200,000)		(823,196)
Net cash inflow from operating activities			1,486,702		2,604,930
Investing activities					
Purchase of tangible fixed assets		-		(277,365)	
Proceeds on disposal of tangible fixed assets		2,925		-	
Interest received		46,637		98,482	
Net cash generated from/(used in) investing activities			49,562		(178,883)
Financing activities					
Dividends paid		(2,800,000)		(4,300,000)	
Net cash used in financing activities			(2,800,000)		(4,300,000)
Net decrease in cash and cash equivalents			(1,263,736)		(1,873,953)
Cash and cash equivalents at beginning of year			31,951,921		33,825,874
Cash and cash equivalents at end of year			30,688,185		31,951,921

1 Accounting policies

Company Information
Neilcott Construction Limited is a private company limited by shares incorporated in England and Wales. The registered office is Excel House, Cray Avenue, Orpington, Kent, United Kingdom, BR5 3ST.

1.1 Accounting convention
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures'.

The financial statements of the company are consolidated in the financial statements of Tyrolese (751) Limited. These consolidated financial statements are available from its registered office, Excel House, Cray Avenue,Orpington, BR5 3ST.

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.

1.2 Going concern
The Directors have reviewed the company's operating plans and considered expected impacts on the company's future revenues caused by Coronavirus and the associated likely downward pressure on margins. Whilst at this stage, it is difficult to predict these impacts with certainty, on the basis of the Directors review, the company has adequate resources to continue in operational existence for the foreseeable future and it is therefore appropriate to adopt the going concern basis of accounting for these financial statements.

1 Accounting policies **(Continued)**

1.3 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).

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	15% per annum
Plant and equipment	33.33% per annum
Motor vehicles	25% per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1 Accounting policies **(Continued)**

1.6 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where 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 that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that 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 reporting end date, 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. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1 Accounting policies **(Continued)**

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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 1 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.

3 Turnover and other revenue

Grants received	340,455	-

	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	74,875,733	100,540,951

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2020 £	2019 £
Government grants	(340,455)	-
Depreciation of owned tangible fixed assets	121,242	129,480
Profit on disposal of tangible fixed assets	(2,925)	-
Operating lease charges	95,000	95,000

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2020 £	2019 £
For audit services		
Audit of the financial statements of the company	19,175	18,650
For other services		
Taxation compliance services	2,280	2,300

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Management and administration	137	142
Direct staff	23	26
Total	160	168

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	10,593,141	15,284,168
Social security costs	1,194,806	1,854,508
Pension costs	389,671	448,305
	12,177,618	17,586,981

7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	656,186	569,001
Company pension contributions to defined contribution schemes	41,989	40,528
	698,175	609,529

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2019 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020	2019
	£	£
Remuneration for qualifying services	174,234	153,367
Company pension contributions to defined contribution schemes	8,535	10,900

8 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	3,514,913	1,375,000
Adjustments in respect of prior periods	(139,622)	(551,804)
Total current tax	3,375,291	823,196
Deferred tax		
Origination and reversal of timing differences	15,736	(44,546)
Total tax charge	3,391,027	778,650

8 Taxation (Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	16,955,773	6,716,551
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	3,221,597	1,276,145
Tax effect of expenses that are not deductible in determining taxable profit	270,696	127,422
Adjustments in respect of prior years	(139,622)	(551,804)
Depreciation on assets not qualifying for tax allowances	22,620	(28,567)
Movement on deferred tax	15,736	(44,546)
Taxation charge for the year	3,391,027	778,650

9 Dividends

	2020	2019
	£	£
Final paid	2,800,000	4,300,000

10 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2020	589,844	47,787	315,756	953,387
Disposals	-	-	(19,692)	(19,692)
At 31 December 2020	589,844	47,787	296,064	933,695
Depreciation and impairment				
At 1 January 2020	349,849	29,877	194,721	574,447
Depreciation charged in the year	72,469	9,420	39,353	121,242
Eliminated in respect of disposals	-	-	(19,692)	(19,692)
At 31 December 2020	422,318	39,297	214,382	675,997
Carrying amount				
At 31 December 2020	167,526	8,490	81,682	257,698
At 31 December 2019	239,995	17,910	121,035	378,940

11 Debtors

Amounts falling due within one year:	**2020 £**	**2019 £**
Trade debtors	2,826,919	8,068,804
Gross amounts owed by contract customers	11,395,027	8,099,050
Amounts owed by group undertakings	20,367,889	20,206,811
Other debtors	245,054	967,333
Prepayments and accrued income	383,286	345,890
	35,218,175	37,687,888
Deferred tax asset (note 13)	85,694	101,430
	35,303,869	37,789,318

12 Creditors: amounts falling due within one year

	2020 £	**2019 £**
Payments received on account	1,365,060	4,627,136
Trade creditors	11,560,814	27,598,104
Amounts owed to group undertakings	22,743,265	19,943,265
Corporation tax	3,175,291	-
Other creditors	475,932	2,022,426
Accruals and deferred income	3,752,872	3,517,476
	43,073,234	57,708,407

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	**Assets 2020 £**	**Assets 2019 £**
Accelerated capital allowances	53,072	76,525
Retirement benefit obligations	32,622	24,905
	85,694	101,430

13 Deferred taxation (Continued)

Movements in the year:	2020 £
Asset at 1 January 2020	(101,430)
Charge to profit or loss	15,736
Asset at 31 December 2020	(85,694)

14 Retirement benefit schemes

Defined contribution schemes	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	389,671	448,305

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

15 Share capital

Ordinary share capital	2020 Number	2019 Number	2020 £	2019 £
Issued and fully paid				
Ordinary shares of £1 each	500,000	500,000	500,000	500,000

16 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	163,820	118,463
Between two and five years	605,325	414,961
	769,145	533,424

17 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2020	2019
	£	£
Aggregate compensation	2,717,737	3,004,466

18 Ultimate 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.

19 Events after the reporting date

On 2 March the beneficial ownership of the share capital of Tyrolese (751) Limited was sold to The Neilcott Employee Ownership Trust (NEOT). The transfer was planned to achieve a transfer to indirect employee ownership and allow the existing shareholders and management team an opportunity to manage their orderly and phased retirement over the coming years.

After considering various alternatives the directors and shareholders concluded that a sale to the NEOT was the best option available for all stakeholders. The transaction allows the group to continue to trade without an immediate change in personnel, focus and culture and allows flexibility in terms of implementing succession planning at senior management and at Board level.

The sale to the EOT will be funded from current and future resources available within the group without adversely affecting liquidity. This will ensure business continuity, funds for profitable growth and a secure platform on which to secure necessary bonding to cover existing and future construction activity.

The transaction will be financed by an initial capital contribution to the NEOT, and further Capital Contributions anticipated over the coming years. The Capital Contributions being structured to be affordable by reference to prudent base case forecasts.

20 Cash generated from operations

	2020	2019
	£	£
Profit for the year after tax	13,564,746	5,937,901
Adjustments for:		
Taxation charged	3,391,027	778,650
Investment income	(46,637)	(98,482)
Gain on disposal of tangible fixed assets	(2,925)	-
Depreciation and impairment of tangible fixed assets	121,242	129,480
Movements in working capital:		
Decrease/(increase) in debtors	2,469,713	(7,920,308)
(Decrease)/increase in creditors	(17,810,464)	4,600,885
Cash generated from operations	1,686,702	3,428,126

21 Analysis of changes in net funds

	1 January 2020	Cash flows	31 December 2020
	£	£	£
Cash at bank and in hand	31,951,921	(1,263,736)	30,688,185