

Company Registration No. 01293674 (England and Wales)

VASCROFT CONTRACTORS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

KLSA
Chartered Accountants

PKF
Member firm of PKF International Ltd

THURSDAY



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VASCROFT CONTRACTORS LIMITED

COMPANY INFORMATION

Directors	Mr S K Vekaria Mr M S Vekaria
Secretary	Mrs C Vora
Company number	01293674
Registered office	Vascroft Estate 861 Coronation Road Park Royal London NW10 7PT
Auditor	KLSA LLP Kalamu House 11 Coldbath Square London EC1R 5HL
Bankers	HSBC Bank Plc 2nd Floor, Space one 1 Beadon Road Hammersmith W6 0EA
Solicitors	Clarkslegal LLP 5th Floor Thames Tower Station Road Reading RG1 1LX

VASCROFT CONTRACTORS LIMITED

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VASCROFT CONTRACTORS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The directors present the strategic report for the year ended 31 August 2019.

Fair review of the business

Turnover for the year ended 31 August 2019 amounted to £87m compared to £45m for the previous year and the operating profit for the year was £5.4m compared to £1.5m in the previous year.

As the company celebrates its 43rd year of excellence in construction, the company continues to secure more projects by obtaining new clients and by retaining the business of its key clients. This all has been possible because the company's ethos and driving force of all its stakeholders is to provide excellence. The company's vision, mission and values statements continues to reflect the ever dynamic outlook of the construction industry and are filtered throughout the organisation. The company has always empathised with the need for adhering to its corporate social responsibilities in the heart of all operations. Vascroft is firmly committed to its social, economic and environmental sustainability. We know that if we are to be a true market leader, we need to minimise the impact of our activities on the environment and its surroundings inclusive of the communities that serve these areas. To this end, the company continues to maintain its ISO 9001 and ISO 14001 accreditations.

Principal risks and uncertainties

The company uses various financial instruments including cash and various items which arise directly from its operations such as trade debtors and trade creditors. The main purpose of these are to raise working capital and carry out business operations.

The main risks arising from the company's financial instruments are market risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risk encompasses two types of risk being interest rate risk and price risk.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The borrowings bear interest at a floating rate and the company's interest expense is therefore affected by movements in interest rates.

Price risk

Price risk mainly arises from the time delay between the start of a tendering process for any materials to when they are actually purchased. This risk is mitigated by factoring inflation rate into tender prices for any project. Any increase in the price of materials is notified to the company by our specialist buyer and suppliers in advance.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available through an overdraft facility to meet foreseeable needs at any given point. The directors review weekly cash reports which enable them to plan accordingly for any significant expenditure.

Credit risk

The company's principal financial assets are debtors and the principal credit risk arises from these debtors. In order to manage credit risk the directors have introduced a credit checking facility by subscribing to an independent agency. This provides all financial details and trading history needed to consider risk associated with new clients and especially with fast track projects e.g. restaurants. On larger projects invoices are raised on a monthly basis and collection made accordingly. The company also seeks deposits upfront for some projects.

VASCROFT CONTRACTORS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Key performance indicators

The company's key performance indicators are revenue, gross margin and net assets. These allow the directors and the management to monitor the growth as well as the profitability of the company. Turnover for the year generated from the principal business activities amounted to £87m (2018: £45m) whilst our headline gross margin of £10.7m (2018: £4.4m) improved in line with our expectations at circa 12%. The net assets position as at the year-end was £19m (2018: £13.5m). Our focus remains of not chasing higher turnover levels with compromised margins and as such the performance is in line with the expectations as set by the board. The directors consider these performance indicators to be satisfactory. The company maintains a satisfactory order book that entails all current secured jobs which is used as an indicator of future business activity levels.

The key non-financial performance indicators of the company are timely and quality delivery of the provision of construction services as per agreements with customers, and stakeholder relationships.

The directors are of the belief that the monitoring of the above-mentioned indicators is an effective aspect of business performance review.

Outlook and future developments

The company's strategic focus is to enhance its market position, to invest in and to continue developing its core strengths across the residential, community, and hotel sectors. It has seen challenging conditions predominate across the industry, with competitive pressures impacting on margins and profitability. The company's track record and integrated offer of design, construction, boutique and be-spoke solutions has enabled it to win significant projects.

Our people remain at the heart of our business. They have shown great resilience and dedication during the construction industry's prolonged period of adverse conditions. As we begin to emerge into a period of growth, our employees will be critical to ensuring our success.

Vision, mission and values

Our vision is exciting and ambitious. We aim to target profitable growth, build business within our key markets and with our existing clients, whilst also exploring further opportunities to broaden our client base and pursue new markets. We will also build on our considerable success and expertise to provide a truly integrated service for our clients.

Mission — To be the contractor of choice for all our clients and to continue to build positive relationships to deliver excellence.

Values - The guiding principles behind the growth of Vascroft Contractors Ltd have been to provide quality, value, experience, partnership, service excellence and consistency. Living and working by these principles, is at the heart of our success. Our team of dedicated professionals are enhanced with continuous professional developments through various mediums of training. Coupled with our commitment to putting our clients' needs first, we derive great pleasure in exceeding their expectations.

We strive to offer an unbeatable range of advisory, construction and refurbishment services and thrill at taking on challenges that have defeated others. Providing a truly integrated one stop shop solution for clients, our approach to all of these challenges has remained consistent over the decades.

A team of approximately 110 professionals is also integral to our success. Our staff are undoubtedly our greatest assets. They are committed to putting our customers' needs first and all share a passion for the company. Many of them have been with us for years and they know it's more important to do what's right rather than what's easy. We know it's important to employ the best because, that way, we deliver the best. We provide continuous staff development through training, seminars and exhibitions. This ensures our staff are up to date with current legislation, technological changes and modern methods of construction.

VASCROFT CONTRACTORS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

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



Mr M S Vekaria

Director

29 November 2019

VASCROFT CONTRACTORS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The directors present their annual report and financial statements for the year ended 31 August 2019.

Principal activities

The principal activity of the company continued to be that of carrying out construction activities. Since incorporation in January 1977 it has specialised in the construction and refurbishment of high end residential projects, elegant hotels, prestigious restaurants, commercial developments, schools, religious buildings and medical centres.

The company has four in-house divisions, namely Vascroft Contractors, Vascroft Joinery Services, Vascroft Mechanical and Electrical Services and Vascroft Metal Fabrication.

Directors

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

Mr S K Vekaria
Mr M S Vekaria

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Director's Report.

Auditor

Grant Thornton UK LLP resigned as auditor in accordance with Section 516 of the Companies Act 2006.

KLSA LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

VASCROFT CONTRACTORS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

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.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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



Mr M S Vekaria
Director

29 November 2019

VASCROFT CONTRACTORS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF VASCROFT CONTRACTORS LIMITED

Opinion

We have audited the financial statements of Vascroft Contractors Limited (the 'company') for the year ended 31 August 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 August 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

VASCROFT CONTRACTORS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF VASCROFT CONTRACTORS LIMITED

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 for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

KLSA LLP

Shilpa Chheda (Senior Statutory Auditor)
for and on behalf of KLSA LLP

29 November 2019

Chartered Accountants
Statutory Auditor

Kalamu House
11 Coldbath Square
London
EC1R 5HL

VASCROFT CONTRACTORS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £	2018 £
Revenue	3	87,051,551	45,020,302
Cost of sales		(76,306,818)	(40,551,445)
Gross profit		10,744,733	4,468,857
Administrative expenses		(5,276,535)	(2,919,668)
Other operating income		29,318	33,150
Operating profit	4	5,497,516	1,582,339
Investment income	8	91,257	24,901
Finance costs	9	(7,892)	(19,526)
Profit before taxation		5,580,881	1,587,714
Tax on profit	10	(29,487)	337,509
Profit for the financial year		5,551,394	1,925,223

The income statement has been prepared on the basis that all operations are continuing operations.

VASCROFT CONTRACTORS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2019

	Notes	2019 £	£	2018 £	£
Non-current assets					
Property, plant and equipment	11		458,077		428,691
Current assets					
Trade and other receivables falling due after more than one year	13	1,712,484		802,840	
Trade and other receivables falling due within one year	13	22,341,357		19,962,730	
Cash and cash equivalents		14,679,515		834,313	
		<u>38,733,356</u>		<u>21,599,883</u>	
Current liabilities	14	(15,905,460)		(7,619,571)	
Net current assets			22,827,896		13,980,312
Total assets less current liabilities			23,285,973		14,409,003
Non-current liabilities	15		(704,881)		(827,990)
Provisions for liabilities					
Provisions	17	3,442,254		-	
Deferred tax liability	18	76,447		70,016	
		<u>(3,518,701)</u>		<u>(70,016)</u>	
Net assets			19,062,391		13,510,997
Equity					
Called up share capital	20		55,100		55,100
Other reserves			8,269		8,269
Retained earnings			18,999,022		13,447,628
Total equity			19,062,391		13,510,997

The financial statements were approved by the board of directors and authorised for issue on 29 November 2019 and are signed on its behalf by:



Mr S K Vekaria
Director



Mr M S Vekaria
Director

Company Registration No. 01293674

VASCROFT CONTRACTORS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2019

	Share capital £	Other reserves £	Retained earnings £	Total £
Balance at 1 September 2017	55,100	8,269	11,522,405	11,585,774
Year ended 31 August 2018:				
Profit and total comprehensive income for the year	-	-	1,925,223	1,925,223
Balance at 31 August 2018	55,100	8,269	13,447,628	13,510,997
Year ended 31 August 2019:				
Profit and total comprehensive income for the year	-	-	5,551,394	5,551,394
Balance at 31 August 2019	55,100	8,269	18,999,022	19,062,391

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

Company information

Vascroft Contractors Limited is a private company limited by shares incorporated in England and Wales. The registered office is Vascroft Estate, 861 Coronation Road, Park Royal, London, NW10 7PT.

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

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 £.

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 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Vascroft Holdings Limited as at 31 August 2019. These consolidated financial statements are available from its registered office, Vascroft Estates, 861 Coronation Road, Park Royal, London, NW10 7PT.

1.2 Going concern

The directors have prepared the financial statements under the going concern concept, as they believe the company has sufficient funding to be able to meet its liabilities as and when they fall due for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements. This takes into consideration the availability of current cash resources, working capital through banking facilities and in addition cash which is to be generated from a pipeline of future projects.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.3 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised.

Rendering of services

In respect of long-term contracts, turnover represents the value of work done in the year, including estimates of amounts not invoiced and is reference to the stage of completion of each contract, once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to the Balance Sheet date on each project. Full provision is made for losses estimated by the directors on all contracts in the year in which the loss is first foreseen. Such estimates are based upon the directors' experience and relevant professional advice.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Plant and equipment	10% Reducing Balance
Fixtures and fittings	25% Reducing Balance
Motor vehicles	15% Reducing Balance

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 non-current 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

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.

1.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.7 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 statement of financial position 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 trade and other receivables 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.

Impairment of financial assets

Financial assets 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.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

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 trade and other payables, bank loans and loans from fellow group companies, 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 payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

1.8 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.

1.9 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 income statement 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 income statement, 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.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.10 Provisions

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

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

1.11 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 non-current assets.

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to the future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in the accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

1.13 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.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.14 Foreign exchange

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the end of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

1.15 Interest income

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

1.16 Finance cost

Finance cost are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

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.

Debtor recoverability

Where outstanding customer debt from 31 August 2019 has still to be wholly or partially recovered by the date of the approval of these financial statements, management have exercised judgment in providing for any bad or doubtful debt. Management has individually considered each outstanding remaining debt in terms of payment history, the status of the current commercial relationship and any future committed business in reaching their decision of the appropriate level of provision to make for each customer.

Rendering of services and loss-making contracts

In respect of long-term contracts, turnover represents the value of the work done in the year, including estimates of amounts not invoiced and is recognised by reference to the stage of completion of each contract, once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to the Statement of Financial Position date on each project. Full provision is made for losses estimated by the directors on all contracts in the year in which the loss is first foreseen. Such estimates are based upon the directors' experience and relevant professional advice.

Useful Life of Property, Plant and Equipment

Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

3 Revenue

An analysis of the company's revenue is as follows:

	2019 £	2018 £
Revenue analysed by class of business		
Construction income	87,051,551	45,020,302
	<u> </u>	<u> </u>
	2019 £	2018 £
Other significant revenue		
Interest income	91,257	24,901
Rent receivable	17,100	17,800
	<u> </u>	<u> </u>

All turnover arose within the United Kingdom.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(2,092)	14
Depreciation of owned property, plant and equipment	75,660	81,447
Loss on disposal of property, plant and equipment	1,308	45,147
Operating lease charges	444,000	444,000
	<u>444,000</u>	<u>444,000</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £2,092 (2018 - £14).

5 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	12,000	15,200
	<u>12,000</u>	<u>15,200</u>
For other services		
All other non-audit services	1,500	1,250
	<u>1,500</u>	<u>1,250</u>

6 Employees

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

	2019	2018
	Number	Number
Production staff	65	71
Administrative staff	35	41
Management staff	2	2
	<u>102</u>	<u>114</u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	5,201,224	4,659,662
Social security costs	192,673	122,687
Pension costs	365,128	240,545
	<u>5,759,025</u>	<u>5,022,894</u>

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	823,683	402,692
Company pension contributions to defined contribution schemes	20,000	20,000
	<u>843,683</u>	<u>422,692</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

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

	2019 £	2018 £
Remuneration for qualifying services	<u>666,500</u>	<u>216,667</u>

8 Investment income

	2019 £	2018 £
Interest income		
Interest on bank deposits	<u>91,257</u>	<u>24,901</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>91,257</u>	<u>24,901</u>
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9 Finance costs

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>7,892</u>	<u>19,526</u>

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	660,258	1,671
Adjustments in respect of prior periods	<u>(637,202)</u>	<u>(330,941)</u>
Total current tax	<u>23,056</u>	<u>(329,270)</u>

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

10 Taxation

(Continued)

	2019 £	2018 £
Deferred tax		
Origination and reversal of timing differences	6,431	(8,239)
	<u> </u>	<u> </u>
Total tax charge/(credit)	29,487	(337,509)
	<u> </u>	<u> </u>

The actual charge/(credit) 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:

	2019 £	2018 £
Profit before taxation	5,580,881	1,587,714
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,060,367	301,666
Tax effect of expenses that are not deductible in determining taxable profit	553	24,402
Tax effect of utilisation of tax losses not previously recognised	(391,804)	(309,551)
Permanent capital allowances in excess of depreciation	(7,187)	(14,845)
Research and development tax credit	(637,202)	(330,941)
Under/(over) provided in prior years	(1,671)	-
Movement in deferred tax	6,431	(8,240)
	<u> </u>	<u> </u>
Taxation charge/(credit) for the year	29,487	(337,509)
	<u> </u>	<u> </u>

Factors that may affect future tax changes

A reduction in the long-term UK corporate tax rate from 19% from 1 April 2017 to 17% in 1 April 2020 was substantively enacted on 15 September 2016 as part of the 2016 Finance Act. This will reduce the company's tax charges in future years.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

11 Property, plant and equipment

	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 September 2018	383,777	158,216	284,669	826,662
Additions	90,353	6,767	15,834	112,954
Disposals	-	-	(47,195)	(47,195)
At 31 August 2019	474,130	164,983	253,308	892,421
Depreciation and impairment				
At 1 September 2018	145,341	89,345	163,285	397,971
Depreciation charged in the year	32,881	11,349	31,430	75,660
Eliminated in respect of disposals	-	-	(39,287)	(39,287)
At 31 August 2019	178,222	100,694	155,428	434,344
Carrying amount				
At 31 August 2019	295,908	64,289	97,880	458,077
At 31 August 2018	238,436	68,871	121,384	428,691

12 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	20,633,983	14,218,143
Carrying amount of financial liabilities		
Measured at amortised cost	15,258,986	8,134,408

Financial assets measured at amortised cost comprise of trade debtors, other debtors and amounts due from group companies.

Financial liabilities measured at amortised cost comprise of bank overdrafts, trade creditors and accruals.

13 Trade and other receivables

	2019 £	2018 £
Amounts falling due within one year:		
Trade receivables	7,406,805	1,839,995
Gross amounts owed by contract customers	3,160,376	6,283,325
Amounts owed by group undertakings	8,308,497	8,792,034
Other receivables	3,206,197	2,837,570
Prepayments and accrued income	259,482	209,806
	22,341,357	19,962,730

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

13 Trade and other receivables		(Continued)	
		2019 £	2018 £
Amounts falling due after more than one year:			
Other receivables		1,712,484	802,840
		<u> </u>	<u> </u>
Total debtors		24,053,841	20,765,570
		<u> </u>	<u> </u>
14 Current liabilities			
	Notes	2019 £	2018 £
Bank loans	16	-	219,719
Trade payables		2,939,766	3,103,170
Corporation tax		661,929	-
Other taxation and social security		689,426	313,153
Accruals and deferred income		11,614,339	3,983,529
		<u> </u>	<u> </u>
		15,905,460	7,619,571
		<u> </u>	<u> </u>
15 Non-current liabilities			
	Notes	2019 £	2018 £
Bank loans and overdrafts	16	-	457,748
Trade payables		704,881	370,242
		<u> </u>	<u> </u>
		704,881	827,990
		<u> </u>	<u> </u>
16 Borrowings			
		2019 £	2018 £
Bank loans		-	677,467
		<u> </u>	<u> </u>
Payable within one year		-	219,719
Payable after one year		-	457,748
		<u> </u>	<u> </u>

The above bank loan was repayable over 10 years and was repaid in March 2019.

The bank loans and overdrafts amounting to £Nil (2018: £677,467) are secured by a charge on the freehold property held by the parent company, Vascroft Holdings Limited.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

17 Provisions for liabilities

	2019 £	2018 £
Provision for contract losses	3,442,254	-
Movements on provisions:		
		Provision for contract losses £
Additional provisions in the year		3,442,254

18 Deferred taxation

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

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	76,447	70,016
Movements in the year:		2019 £
Liability at 1 September 2018		70,016
Charge to profit or loss		6,431
Liability at 31 August 2019		76,447

19 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	365,128	240,545

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.

VASCROFT CONTRACTORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

20 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
55,100 Ordinary Shares of £1 each	55,100	55,100

21 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:

	2019 £	2018 £
Within one year	444,000	444,000
Between two and five years	1,776,000	1,776,000
In over five years	1,254,148	1,698,148
	<u>3,474,148</u>	<u>3,918,148</u>

22 Related party transactions

The company has taken advantage of Financial Reporting Standard 102 section 33 "Related Party Disclosures" and has not disclosed transactions with group members on the basis that the results are included within consolidation financial statements of Vascroft Holdings Limited that are publicly available.

Key management personnel compensation was £994,350 (2018: £422,692).

The company made a donation of £500,000 to a charitable foundation which has common trustees/directors.

23 Ultimate controlling party

As at 31 August 2019, the ultimate parent and controlling party is the SAV Trust.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Vascroft Holdings Limited, the immediate parent. Its registered head office is located at Vascroft Estates, 861 Coronation Road, Park Royal, London NW10 7PT.