3104421

Owen Pugh GDC Limited

Report and Financial Statements

31 March 2013

Directors
J R Dickson
R S Armstrong
S Robinson
S Burke
M Wood
P B Samuel

Secretary
K A Dickie

Auditors
Ernst & Young LLP
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Directors' report

The directors present their report and financial statements for the year ended 31 March 2013

Results and dividends

The profit for the year before taxation amounted to £983,761 (2012 –£520,469) on turnover of £11 7 million (2012 – £8 1million) The directors recommend a final dividend of £105,000 (2012 – £62,000)

Principal activities and review of the business

The company's principal activities were drainage, groundworks and small scale civil engineering contracting

Turnover for the financial year was £11 7 million representing an increase of 44% on the previous year Much of this increase is accounted for by Northumbrian Water Limited and is due to increases in demand as a result of pressure on the drainage network caused by extreme weather events The business has performed exceptionally well in responding to frequent emergencies and the dedication and hard work of all members of the team is acknowledged and much appreciated Gross profit increased by 28% to £2 4 million (2012 - £1 9 million) while administrative expenses grew by only 3 5% to £1 4 million producing profit before taxation of £983,761

The Directors recognise that this result is in part exceptional and driven by unusual weather However early indications are that turnover in the 2014 financial year has not dropped from 2013 levels and the continued profitability of the business is assured

Principal risks and uncertainties

The principal trading risk continues to be the depressed state of the construction industry and low volumes of civil engineering work as a result The apparent increased frequency of extreme weather events adds to the difficulty of financial forecasting providing a challenging operating environment in which to make investment decisions

Financial risk management policy

The company's principal financial instruments comprise cash and cash equivalents Other financial assets and liabilities, such as trade debtors, trade creditors and group balances, arise directly from the company's operating activities

The main risks associated with the company's financial assets and liabilities are set out below The company does not undertake any hedging activity

Directors' report

Principal risks and uncertainties (continued)

Interest rate risk

The company invests surplus cash in short-term floating rate interest yielding bank accounts, and has no bank borrowings Therefore financial assets, interest income and cash flows can be affected by movements in interest rates However, the directors do not consider there to be any significant exposure

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities

Credit risk

The company's policy is aimed at minimising such losses, and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfactory creditworthiness Individual exposures and overdue debts are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations Capital expenditure is approved by the directors and flexibility is maintained by retaining surplus cash in readily accessible bank accounts

Foreign currency risk

The company has no transactions in foreign currencies and therefore has no exposure to fluctuating foreign exchange rates

Going concern

The directors undertook a formal assessment of the strength of the business as a going concern based on the financial position of the company at 31 March 2013 The assessment included an analysis of market forecasts, the development of budgets and forecasts and testing of underlying assumptions, and a comparison of forecast performance in a range of different scenarios The key sensitivities remain volume of business, utilisation levels, margins, debtor days and capital expenditure The assessment also considered the availability of adequate on-going financial support from the Group's bankers and the Group's ability to comply with the covenants set down within the bank facility Whilst conditions remain tight, the Director's believe that the forecasts are achievable On the basis of this assessment, the directors concluded that the company remains well placed, with an excellent reputation, a strong asset base, a good spread of business and the on-going support of the Group's bankers such that, despite the current volatility in market conditions, there are no material uncertainties that may cast significant doubt about the company's ability to continue as a Going Concern

Directors

The directors who served the company during the year were as follows

J R Dickson
G White (Resigned 30 August 2013)
R S Armstrong
S Robinson
S Burke
M Wood
P Samuel (Appointed 30 August 2013)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of

Directors' report

which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006

On behalf of the Board

J R Dickson
Director
6th November 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law 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 estimates that are reasonable and prudent,
- 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

Independent auditors' report

to the members of Owen Pugh GDC Limited

We have audited the financial statements of Owen Pugh GDC Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Owen Pugh GDC Limited

Matters on which we are required to report by exception

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, or
- the directors' were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime

Mark Hatton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Newcastle upon Tyne
6 November 2013

Profit and loss account

for the year ended 31 March 2013

	Notes	2013 £	2012 £
Turnover	2	11,743,147	8,105,281
Cost of sales		9,338,081	6,224,410
Gross profit		2,405,066	1,880,871
Administrative expenses		(1,418,027)	(1,369,763)
Other operating (expenses)/income		(1,617)	10,394
Operating profit	3	985,422	521,502
Interest payable and similar charges		(1,661)	(1,033)
Profit on ordinary activities before taxation		983,761	520,469
Tax	6	(131,767)	(138,233)
Profit for the financial year	14	851,994	382,236

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 March 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £851,994 in the year ended 31 March 2013 (2012 profit of £382,236)

Balance sheet

at 31 March 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangıble assets	7	408,328	409,143
Current assets			
Stocks	8	172,391	144,618
Debtors	9	4,212,678	3,131,397
Cash at bank and ın hand		1,083,815	389,866
		5,468,884	3,665,881
Credıtors amounts fallıng due wıthın one year	10	3,795,140	2,751,339
Net current assets		1,673,744	914,542
Total assets less current liabılıtıes		2,082,072	1,323,685
Creditors amounts fallıng due after more than one year	11	49,544	22,491
Provisions for liabılıtıes	6(c)	8,984	24,644
Net assets		2,023,544	1,276,550
Capıtal and reserves			
Called up share capıtal	13	112	112
Share premıum	14	39,988	39,988
Profit and loss account	14	1,983,444	1,236,450
Shareholders' funds	14	2,023,544	1,276,550

These financıal statements have been prepared ın accordance wıth the specıal provısıons for small companıes under Part 15 of the Companıes Act 2006 and wıth the Fınancıal Reportıng Standard for Smaller Entıtıes

The financıal statements were approved by the Board of Dırectors on 6th November 2013 and sıgned on theır behalf by -

J R Dıckson
Dırector

Notes to the financial statements

at 31 March 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Statement of cash flows

The directors have taken advantage of the exemption in FRS 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements, which include a group statement of cash flows

Tangible fixed assets

All fixed assets are initially recorded at cost

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Plant and machinery	–	5-10 years straight-line
Fixtures and fittings	–	3-5 years straight-line
Motor vehicles	–	5 years straight-line

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable The directors are satisfied that there are no indicators of impairment of any of the company's tangible fixed assets

Stocks

Stocks are stated at purchase cost on a first in, first out basis

Contracts

Profit on contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in stocks below) as contract activity progresses Turnover represents the value of the work done during the year Full provision is made for contract losses in the year in which they are first foreseen

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 March 2013

1. Accounting policies (continued)

Leasıng and hıre purchase commitments

Assets held under finance leases, whıch are leases where substantıally all the rısks and rewards of ownershıp of the asset have passed to the company, and hıre purchase contracts are capıtalısed ın the balance sheet and depreciated over theır useful lıves The capıtal element of future oblıgatıons under the leases and hıre purchase contracts are ıncluded as lıabılıtıes ın the balance sheet

The ınterest element of the rental oblıgatıons are charged ın the profit and loss account over the perıods of the leases and hıre purchase contracts on a straıght-lıne basıs

Rentals payable under operatıng leases are charged ın the profit and loss account on a straıght-lıne basıs over the lease term

Pensıons

The company contrıbutes to defined contrıbutıon pensıon schemes for ıts employees Contrıbutıons are charged to the profit and loss account as they become payable ın accordance wıth the rules of the schemes

2. Turnover

Turnover represents the total of the ınvoıced amount of goods sold and servıces provıded (stated net of value added tax at the year end All turnover arıses from the contınuıng operatıons of the company

3. Operating profit

Thıs ıs stated after chargıng/(credıtıng)

	2013	*2012*
	£	*£*
Audıtors' remuneratıon	5,500	5,000
Depreciatıon of owned assets	87,467	66,377
Depreciatıon of assets held under finance leases and hıre purchase contracts	7,173	2,253
Loss/(profit) on dısposal of fixed assets	1,617	(10,394)
Operatıng lease rentals	143,213	147,945

Non-audıt fees are dısclosed ın the group financıal statements of the parent undertakıng, Owen Pugh Holdıngs Lımıted

Notes to the financial statements

at 31 March 2013

4. Directors' remuneration

	2013	*2012*
	£	*£*
Remuneration	184,570	174,220
Company contributions paid to defined contribution pension schemes	13,448	909
	No	*No*
Members of money purchase pension schemes	2	2

Several of the directors of the company are also members of the executive committee of the ultimate parent undertaking Owen Pugh Holdings and are directors of other subsidiary companies These directors received total remuneration for the year of £272,955, all of which was accounted for by Owen Pugh Holdings

The directors have apportioned £73,905 to the company as part of the management charge

5. Staff costs

	2013	*2012*
	£	*£*
Wages and salaries	2,800,325	2,365,034
Social security costs	291,950	217,407
Other pension costs	48,032	28,446
	3,140,307	2,610,887

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

	No	*No*
Office and management	14	14
Plant operators	74	65
	88	79

Notes to the financial statements

at 31 March 2013

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2013	*2012*
	£	*£*
Current tax		
UK corporation tax on the profit for the year	152,974	132,565
(Over)/under provision in prior years	(5,547)	4,430
Total current tax (note 6(b))	147,427	136,995
Deferred tax		
Origination and reversal of timing differences	(15,343)	3,038
Prior year adjustments	(317)	(1,800)
Total deferred tax (note 6(c))	(15,660)	1,238
Tax on profit on ordinary activities	131,767	138,233

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24% (2012 – 26%) The differences are explained below

	2013	*2012*
	£	*£*
Profit on ordinary activities before tax	983,761	520,469
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 – 26%)	236,103	135,322
Effects of		
Disallowed expenses and non-taxable income	1,040	535
Decelerated/(accelerated) capital allowances	6,036	(4,333)
Other deferred tax movement	9,975	1,041
Corporation tax (over)/under provided in previous years	(5,547)	4,430
Group relief	(100,180)	–
Current tax for the year (note 6(a))	147,427	136,995

Notes to the financial statements

at 31 March 2013

6. Tax (continued)

(c) Deferred tax

	2013	*2012*
	£	*£*
Capital allowances in advance of depreciation	19,410	26,290
Other timing differences	(10,426)	(1,646)
Provision for deferred taxation	8,984	24,644

	Deferred tax
	£
At 1 April 2012	24,644
Deferred tax credit in profit and loss account (note 6(a))	(15,660)
At 31 March 2013	8,984

(d) Factors that may affect future tax charges

A standard rate of 24% applies to current tax liabilities arising during the year ended 31 March 2013 A rate of 23% , which substantively enacted on 3 July 2012, applies to the company's deferred tax liability at the balance sheet date

In the Budget Speech on 20 March 2013 the UK government announced that the main rate of corporation tax will be reduced to 20% by 1 April 2015 This will follow reduction to 21% from 1 April 2014

The reduction of the UK corporation tax rate to 20%, if it had been enacted at the year end, would not have a material impact on the company's deferred tax liability/asset.

Notes to the financial statements

at 31 March 2013

7. Tangible fixed assets

	Plant and machinery	*Fixtures and fittings*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*
Cost				
At 1 April 2012	719,981	49,841	113,212	883,034
Additions	84,650	11,291	-	95,941
Disposals	(29,500)	-	-	(29,500)
At 31 March 2013	775,131	61,132	113,212	949,475
Depreciation				
At 1 April 2012	349,355	39,465	85,071	473,891
Charge for year	74,571	9,837	10,232	94,640
Disposals	(27,384)	-	-	(27,384)
At 31 March 2013	396,542	49,302	95,303	541,147
Net book value				
At 31 March 2013	378,589	11,830	17,909	408,328
At 1 April 2012	370,626	10,376	28,141	409,143

The net book value above includes an amount of £104,554 (2012 – £47,727) in respect of assets held under finance leases and hire purchase contracts

8. Stocks

	2013	*2012*
	£	*£*
Raw materials, consumables and goods for resale	63,057	82,299
Work in Progress	109,334	62,319
	172,391	144,618

9. Debtors

	2013	*2012*
	£	*£*
Trade debtors	51,178	23,940
Amounts recoverable on contracts	1,776,602	1,368,744
Prepayments	26,393	54,360
Amounts due from fellow group undertakings	2,282,053	1,540,976
Other debtors	76,452	143,377
	4,212,678	3,131,397

Notes to the financial statements

at 31 March 2013

10. Creditors: amounts falling due within one year

	2013	*2012*
	£	*£*
Obligations under finance leases and hire purchase contracts (note 12)	26,593	14,994
Trade creditors	1,374,633	856,250
Corporation tax	259,992	132,565
Other taxes and social security costs	315,991	275,012
Accruals	143,820	109,858
Amounts due to fellow group undertakings	1,118,489	1,034,567
Other creditors, deferred income and payments on account	555,622	328,093
	3,795,140	2,751,339

11. Creditors: amounts falling due after more than one year

	2013	*2012*
	£	*£*
Obligations under finance leases and hire purchase contracts (note 12)	49,544	22,491

12. Obligations under finance leases and hire purchase contracts

	2013	*2012*
	£	*£*
Amounts payable within one year (note 10)	26,593	14,994
Amounts payable in two to five years (note 11)	49,544	22,491
	76,137	37,485

13. Issued share capital

		2013		*2012*
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	112	112	112	112

Notes to the financial statements

at 31 March 2013

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Share premium*	*Profit and loss account*	*Total share-holders' funds*
	£	*£*	*£*	*£*
At 1 April 2011	112	39,988	916,214	956,314
Dividends	–	–	(62,000)	(62,000)
Profit for the year	–	–	382,236	382,236
At 1 April 2012	112	39,988	1,236,450	1,276,550
Dividends	-	-	(105,000)	(105,000)
Profit for the year	-	-	851,994	851,994
At 31 March 2013	112	39,988	1,983,444	2,023,544

15. Pensions

The company operates defined contribution pension schemes for its salaried employees and directors The assets of the schemes are held separately from those of the company in independently administered funds

The unpaid contributions outstanding at the year-end are £4,741 (2012 £3,772)

16. Other financial commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out below

	Motor vehicles	
	2013	*2012*
	£	*£*
Operating leases which expire		
Within one year	34,920	15,631
In two to five years	63,669	120,320

17. Related party transactions

The company has taken advantage of the exemption allowable under FRS 8 and has not disclosed transactions with other entities within the group which are 100% owned by the parent undertaking

18. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking and controlling party is Owen Pugh Holdings Limited, which has included the company in its group financial statements, copies of which are available from its registered office, Dudley, Cramlington, Northumberland, NE23 7PR