

**OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY
KNOWN AS OWEN PUGH GDC LIMITED)**

Financial Statements

31st March 2016



OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Financial Statements

Year ended 31st March 2016

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OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Officers and Professional Advisers

The board of directors

J R Dickson
R S Armstrong
J R Grant
R J D Lowery
G L Cochrane

Company secretary

K A Applegarth

Registered office

Cramlington Road
Dudley
Cramlington
Northumberland
NE23 7PR

Auditor

Tait Walker LLP
Chartered Accountants & Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Bankers

HSBC Bank plc
189 High Street
Gosforth
Newcastle upon Tyne
NE3 1HE

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle Upon Tyne
NE1 4BF

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Strategic Report

Year ended 31st March 2016

The directors present their strategic report for the year ended 31 March 2016.

REVIEW OF THE BUSINESS

The principal activity of the company in the year under review was the provision of drainage, groundworks and small scale civil engineering contract services.

Financial results for the year ended 31 March 2016 are considered by the directors to be disappointing. Turnover dropped by 22.0% to £10.99m while gross margin fell from £2.0m to £1.2m (from 14.3% to 10.7% of turnover). The operating loss for the year from normal trading increased from £(93)k in the previous year to £(860)k in the current financial year, before a waiver of inter-company debt due to the parent company reduced this year's reported operating loss to £(110)k.

The deterioration in performance of the business is due to two principal factors. Firstly, there was a further write off of bad debt as a result of the administration and liquidation of Southdale Ltd amounting to £191k in the year (2015: £328k). Secondly, the company was not successful in winning a place on the new Northumbrian Water Limited Framework contract. Alternative contract business was tendered for and won from a variety of customers, but the incumbent directors and management team proved themselves incapable of working in a truly commercial environment, outside the protective envelope of a large multi-year framework arrangement. The directors concerned were dismissed and the management team removed from the business as part of a restructuring of the Owen Pugh Group carried out in April 2016.

As a result of the restructuring exercise, all the contracting businesses within Owen Pugh Group with the exception of Demolition were concentrated in Owen Pugh GDC Ltd and the name changed to Owen Pugh Civil Engineering Ltd to more accurately describe the ongoing function and role of the company. A new leadership and management team was recruited establishing a more rigorous operating culture and restoring the business to profitability.

The average number of employees during the financial year was 103 compared with 106 the previous year.

As a member of the Owen Pugh Group, Owen Pugh Civil Engineering Ltd follows the safety, health, environment and quality management systems of the Group and operates to the highest possible ethical standards. This includes commitments to equality and diversity, anti-bribery and corporate social responsibility among others. Appropriate detail is to be found in the Annual Report and Accounts of Owen Pugh Holdings Ltd.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal trading risk is the performance of the regional economy and specifically the impact of that performance on commercial, industrial, residential and public sector property development and construction work.

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.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Strategic Report *(continued)*

Year ended 31st March 2016

INTEREST RATE RISKS

The company invests surplus cash in short term floating rate interest yielding bank accounts and has no bank borrowings. As a result, 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 RISKS

The company's policy is aimed at minimising losses caused by the granting of credit terms to customers and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfactory credit worthiness. Individual exposures and overdue debts are monitored carefully with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant. In addition and to further limit exposure to credit risks, the Group carries credit insurance covering outstanding invoices, applications and work in progress with all but a tiny minority of customers.

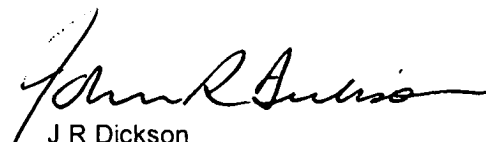
LIQUIDITY RISKS

The company mitigates liquidity risk by managing cash generated by operations. Capital expenditure must be approved by the directors and flexibility is maintained by retaining cash in readily accessible bank accounts and access to a bank working capital facility.

FOREIGN CURRENCY RISKS

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

This report was approved by the board of directors on 9th December 2016 and signed on behalf of the board by:



J R Dickson
Director

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Directors' Report

Year ended 31st March 2016

The directors present their report and the financial statements of the company for the year ended 31st March 2016.

Principal activities

The principal activity of the company in the year was the provision of drainage, groundworks and small scale civil engineering contract services.

Directors

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

J R Dickson
S M Wood
R S Armstrong
S Burke
J R Grant (Appointed 1st April 2015)

R J D Lowery was appointed as a director on 1 April 2016.
G L Cochrane was appointed as a director on 1 August 2016.
S M Wood resigned as a director on 1 April 2016.
S Burke resigned as a director on 29 July 2016.

Dividends

The directors do not recommend the payment of a dividend.

Going concern

The directors have assessed the strength of the business as a going concern based on the financial position of the group at 31 March 2016 and forecast performance going forward. This assessment included an analysis of market conditions, 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 identified relate to volume of business, utilisation levels, level of margins going forward. The assessment also considered the ability of the group to operate within the terms of the facilities available to it, the availability of adequate on-going financial support from the group's bankers, the group's ability to comply with the covenants set down within the bank facility, the net current liability position and the relatively high gearing ratio. Whilst trading conditions in the sector remain difficult, the directors believe that the forecasts are achievable and that on this basis the group will be able to operate within the terms of the facilities currently available to it and that ongoing financial support will continue to be available from the group's bankers. On the basis of this assessment, the directors concluded that the group remains well placed, with an excellent reputation, a strong asset base, a good spread of business and the on-going support of its bankers such that, despite the current uncertain market conditions, there are no material uncertainties that may cast significant doubt about the group's ability to continue as a going concern.

Financial instruments

See disclosures made within the strategic report.

Change in name

With effect from 1st April 2016, the name of the Company was changed from Owen Pugh GDC Limited to Owen Pugh Civil Engineering Limited.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Directors' Report *(continued)*

Year ended 31st March 2016

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

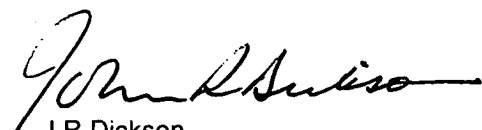
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

A resolution to reappoint Tait Walker LLP as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 9th December 2016 and signed on behalf of the board by:


J R Dickson
Director

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Independent Auditor's Report to the Shareholders of Owen Pugh Civil Engineering Limited (formerly known as Owen Pugh GDC Limited)

Year ended 31st March 2016

We have audited the financial statements of Owen Pugh Civil Engineering Limited (formerly known as Owen Pugh GDC Limited) for the year ended 31st March 2016, on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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, 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 strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2016 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

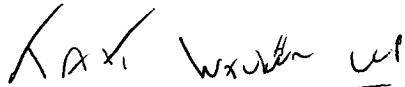
Independent Auditor's Report to the Shareholders of Owen Pugh Civil Engineering Limited (formerly known as Owen Pugh GDC Limited) *(continued)*

Year ended 31st March 2016

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.



Christopher Potter BA (Hons) ACA (Senior Statutory Auditor)

For and on behalf of
Tait Walker LLP
Chartered Accountants & Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

9th December 2016

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Income Statement

Year ended 31st March 2016

	Note	2016 £	2015 £
Turnover	4	10,986,519	14,084,427
Cost of sales		(9,812,299)	(12,064,314)
Gross profit		1,174,220	2,020,113
Administrative expenses		(1,843,401)	(1,785,785)
Exceptional items		558,682	(327,717)
Operating loss	5	(110,499)	(93,389)
Other interest receivable and similar income		–	47
Interest payable and similar charges	9	(2,565)	(3,290)
Loss on ordinary activities before taxation		(113,064)	(96,632)
Tax on loss on ordinary activities	10	2,645	(9,735)
Loss for the financial year		(110,419)	(106,367)

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 11 to 21 form part of these financial statements.


OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Statement of Financial Position

31st March 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	214,671	278,255
Current assets			
Stocks	12	199,245	369,004
Debtors	13	3,628,390	7,182,356
Cash at bank and in hand	14	860	1,852
		<u>3,828,495</u>	<u>7,553,212</u>
Creditors: amounts falling due within one year	15	<u>(1,896,125)</u>	<u>(5,559,763)</u>
Net current assets		<u>1,932,370</u>	<u>1,993,449</u>
Total assets less current liabilities		<u>2,147,041</u>	<u>2,271,704</u>
Creditors: amounts falling due after more than one year	16	(7,238)	(18,837)
Provisions			
Taxation including deferred tax	19	(1,728)	(4,373)
Net assets		<u>2,138,075</u>	<u>2,248,494</u>
Capital and reserves			
Called up share capital	21	112	112
Share premium account	22	39,988	39,988
Profit and loss account	22	2,097,975	2,208,394
Shareholders funds		<u>2,138,075</u>	<u>2,248,494</u>

These financial statements were approved by the board of directors and authorised for issue on 9th December 2016, and are signed on behalf of the board by:


J R Dickson
Director

Company registration number: 03104421

The notes on pages 11 to 21 form part of these financial statements.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Statement of Changes in Equity

Year ended 31st March 2016

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1st April 2014	112	39,988	2,314,761	2,354,861
Loss for the year	—	—	(106,367)	(106,367)
Total comprehensive income for the year	—	—	(106,367)	(106,367)
At 31st March 2015	112	39,988	2,208,394	2,248,494
Loss for the year	—	—	(110,419)	(110,419)
Total comprehensive income for the year	—	—	(110,419)	(110,419)
At 31st March 2016	<u>112</u>	<u>39,988</u>	<u>2,097,975</u>	<u>2,138,075</u>

The notes on pages 11 to 21 form part of these financial statements.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements

Year ended 31st March 2016

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

The entity is a limited company incorporated in England and Wales. The registered office is:

Cramlington Road
Dudley
Cramlington
Northumberland
NE23 7PR

2. Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' report. The directors have assessed the strength of the business as a going concern based on the financial position of the group at 31 March 2016 and forecast performance going forward. This assessment included an analysis of market conditions, 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 identified relate to volume of business, utilisation levels, level of margins going forward. The assessment also considered the ability of the group to operate within the terms of the facilities available to it, the availability of adequate on-going financial support from the group's bankers, the group's ability to comply with the covenants set down within the bank facility, the net current liability position and the relatively high gearing ratio. Whilst trading conditions in the sector remain difficult, the directors believe that the forecasts are achievable and that on this basis the group will be able to operate within the terms of the facilities currently available to it and that ongoing financial support will continue to be available from the group's bankers. On the basis of this assessment, the directors concluded that the group remains well placed, with an excellent reputation, a strong asset base, a good spread of business and the on-going support of its bankers such that, despite the current uncertain market conditions, there are no material uncertainties that may cast significant doubt about the group's ability to continue as a going concern.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1st April 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 27.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

3. Accounting policies *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Owen Pugh Holdings Limited which can be obtained from Cramlington Road, Dudley, Cramlington, Northumberland, NE23 7PR. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Assessing indicators of impairment - In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterpart credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Contract accounting - due to the nature of contract accounting, the stage of completion of a job at the year end is judgemental.

Loss provision - Any loss making contracts are provided in full when they are identified as being loss making. Other provisions are made on a specific cost basis for contracts.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Depreciation - Depreciation is calculated as to write off the cost of an asset, less its residual value, over the useful economic life of that asset. An estimate of the useful economic life of assets is detailed in the depreciation accounting policy. The value of depreciation charged in the profit and loss account during the year was £62,887.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

3. Accounting policies *(continued)*

Taxation *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost less any accumulated depreciation and any provision for impairment.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 3-10 years straight line
Fixtures & Fittings	- 2-5 years straight line
Motor Vehicles	- 3-5 years straight line

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stock relates to an estimate of the works done yet to be applied for. Stock is valued at cost where the anticipated margin is uncertain.

Raw materials are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Long term 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 stock) 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.

Financial instruments

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 entity after deducting all of its financial liabilities.

4. Turnover

Turnover arises from:

	2016 £	2015 £
United Kingdom	<u>10,986,519</u>	<u>14,084,427</u>

All of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

5. Operating profit

Operating profit or loss is stated after (crediting)/charging:

	2016	2015
	£	£
Depreciation of tangible assets	62,887	87,458
Loss/(gains) on disposal of tangible assets	701	(2,898)
Defined contribution plans expense	54,475	85,969
Operating lease costs - other	191,931	198,686
Exceptional administrative expenses	191,318	327,717
Forgiveness of inter-company debt	<u>(750,000)</u>	<u>-</u>

Exceptional items include £191,318 (2015: £327,717) relating to bad debts incurred as a result of a major customer going into liquidation after the previous year end.

Exceptional items also include a credit of £750,000 in relation to a waiver of inter-company debt due to the parent company.

6. Auditor's remuneration

	2016	2015
	£	£
Fees payable for the audit of the financial statements	<u>6,638</u>	<u>4,000</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016	2015
	No.	No.
Management staff	21	18
Number of plant operators	82	88
	<u>103</u>	<u>106</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016	2015
	£	£
Wages and salaries	3,299,054	3,360,733
Social security costs	311,397	328,872
Other pension costs	54,475	85,969
	<u>3,664,926</u>	<u>3,775,574</u>

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

7. Staff costs *(continued)*

A number of directors of the company are also members of the executive committee of the ultimate parent undertaking, Owen Pugh Holdings Limited, and are directors of other subsidiary companies. These directors received total remuneration for the year of £373,377 (2015: £234,277), all of which was accounted for by Owen Pugh Holdings Limited.

The directors have apportioned £303,824 (2015: £53,997) to the company as part of the management charge.

8. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration	179,746	189,341
Company contributions to defined contribution pension plans	12,221	12,906
	<u>191,967</u>	<u>202,247</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016	2015
	No.	No.
Defined contribution plans	<u>2</u>	<u>2</u>

9. Interest payable and similar charges

	2016	2015
	£	£
Interest on bank loans and overdrafts	–	206
Interest on obligations under finance leases and hire purchase contracts	2,565	3,084
	<u>2,565</u>	<u>3,290</u>

10. Tax on loss on ordinary activities

Major components of tax (income)/expense

	2016	2015
	£	£
Current tax:		
Adjustments in respect of prior periods	–	13,922
Deferred tax:		
Origination and reversal of timing differences	(2,645)	(4,187)
Tax on loss on ordinary activities	<u>(2,645)</u>	<u>9,735</u>

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

10. Tax on loss on ordinary activities *(continued)*

Reconciliation of tax (income)/expense

The tax assessed on the loss on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 21%).

	2016 £	2015 £
Loss on ordinary activities before taxation	(113,064)	(96,632)
Loss on ordinary activities by rate of tax	(172,613)	(20,293)
Adjustment to tax charge in respect of prior periods	(192)	9,735
Effect of expenses not deductible for tax purposes	772	2,836
Effect of capital allowances and depreciation	–	6,698
Group relief	168,339	13,061
Other short term differences	1,049	(2,302)
Tax on loss on ordinary activities	(2,645)	9,735

11. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2015	734,381	93,747	52,574	880,702
Additions	–	2,304	–	2,304
Disposals	(28,200)	–	(17,758)	(45,958)
At 31 March 2016	706,181	96,051	34,816	837,048
Depreciation				
At 1 April 2015	476,765	73,112	52,570	602,447
Charge for the year	50,051	12,836	–	62,887
Disposals	(25,200)	–	(17,757)	(42,957)
At 31 March 2016	501,616	85,948	34,813	622,377
Carrying amount				
At 31 March 2016	204,565	10,103	3	214,671
At 31 March 2015	257,616	20,635	4	278,255

Included within the net book value of £214,671 is £41,991 (2015: £63,056) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £6,400 (2015: £14,754).

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

12. Stocks

	2016 £	2015 £
Stock	100,550	102,623
Work in progress	98,695	266,381
	<u>199,245</u>	<u>369,004</u>

The stock expense to the profit and loss account during the year amounted to £2,896,725 (2015: £3,431,502).

13. Debtors

	2016 £	2015 £
Trade debtors	477,540	284,817
Amounts owed by group undertakings	1,356,812	3,810,171
Prepayments and accrued income	18,336	24,216
Other debtors	1,775,702	3,063,152
	<u>3,628,390</u>	<u>7,182,356</u>

14. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2016 £	2015 £
Cash at bank and in hand	860	1,852
Bank overdrafts	(195,711)	(411,873)
	<u>(194,851)</u>	<u>(410,021)</u>

15. Creditors: amounts falling due within one year

	2016 £	2015 £
Overdrafts	195,711	411,873
Trade creditors	1,180,469	2,047,935
Amounts owed to group undertakings	–	2,278,879
Accruals and deferred income	294,041	250,709
Social security and other taxes	122,735	152,392
Obligations under finance leases and hire purchase contracts	11,599	11,599
Other creditors	91,570	406,376
	<u>1,896,125</u>	<u>5,559,763</u>

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

15. Creditors: amounts falling due within one year *(continued)*

Bank overdrafts and borrowings are secured by an unlimited multilateral guarantee dated 18 February 2008 given by all group companies, and a debenture dated 15 July 2010 including a fixed charge over all present freehold and leasehold property; a first fixed charge over book and other debts, chattels, goodwill and uncalled share capital, both present and future; and a first floating charge over all other assets and undertaking both present and future.

Liabilities relating to hire purchase and finance lease agreements are secured against the assets to which they relate.

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

	2016 £	2015 £
Obligations under finance leases and hire purchase contracts	<u>7,238</u>	<u>18,837</u>

Liabilities relating to hire purchase and finance lease agreements are secured against the assets to which they relate.

17. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2016 £	2015 £
Not later than 1 year	11,599	11,599
Later than 1 year and not later than 5 years	<u>7,238</u>	<u>18,837</u>
	<u>18,837</u>	<u>30,436</u>

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Included in provisions (note 19)	<u>1,728</u>	<u>4,373</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £	2015 £
Accelerated capital allowances	2,423	6,116
Short term timing differences	<u>(695)</u>	<u>(1,743)</u>
	<u>1,728</u>	<u>4,373</u>

The net deferred tax liability expected to reverse in 2016/17 is £1,004. This relates to the reversal of timing differences on capital allowances.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

19. Provisions

	Deferred tax (note 18) £
At 1st April 2015	4,373
Charge against provision	(2,645)
At 31st March 2016	<u>1,728</u>

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £54,475 (2015: £85,969).

The unpaid contributions outstanding at the year end are £5,414 (2015: £8,713).

21. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>112</u>	<u>112</u>	<u>112</u>	<u>112</u>

22. Reserves

Share capital - This represents the nominal value of the shares that have been issued.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Not later than 1 year	135,769	149,823
Later than 1 year and not later than 5 years	<u>141,951</u>	<u>272,376</u>
	<u>277,720</u>	<u>422,199</u>

24. Contingencies

The company is party to a bank unlimited multilateral guarantee dated 18 February 2008 in relation to the bank borrowings of all group companies.

OWEN PUGH CIVIL ENGINEERING LIMITED (FORMERLY KNOWN AS OWEN PUGH GDC LIMITED)

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

25. Related party transactions

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

26. Ultimate controlling and parent company

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

27. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1st April 2014.

No transitional adjustments were required in equity or profit or loss for the year.