

COMPANY REGISTRATION NUMBER: 04758344

H C S DRAIN SERVICES LIMITED
Financial Statements
31st March 2016

SATURDAY



A5LK3AW0

A05

10/12/2016

#229

COMPANIES HOUSE

H C S DRAIN SERVICES LIMITED

Financial Statements

Year ended 31st March 2016

Contents	Pages
Officers and professional advisers	1
Strategic report	2 to 3
Directors' report	4 to 5
Independent auditor's report to the shareholders	6 to 7
Income statement	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 to 20
The following pages do not form part of the financial statements	
Detailed income statement	22
Notes to the detailed income statement	23

H C S DRAIN SERVICES LIMITED

Officers and Professional Advisers

The board of directors

J R Dickson
R S Armstrong
J R Grant
R J D Lowery

Company secretary

K A Applegarth

Registered office

Cramlington Road
Dudley
Cramlington
England
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

National Westminster Bank Plc
12 Market Place
Durham
DH1 3NG

Solicitors

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

H C S DRAIN SERVICES 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

During the year, the company started trading under the name of Owen Pugh Drain Services while the principal activity remained that of the provision of emergency and contract drain cleaning services and CCTV surveys.

Financial results for the year ended 31 March 2016 are considered by the directors to be disappointing. Turnover at £2.24m was 44% lower than 2015, partly as a result of the ending of framework contract for the water utility and partly as a result of moving a local authority framework contract to a different company in the Owen Pugh Group (Owen Pugh GDC Ltd). Gross profits were £525k, representing 23% of turnover and a slight improvement on the previous year (2015: 22%) but not sufficient to compensate for the fall in turnover. Administrative expenses at £675k were inflated by the cost of reconfiguring the fleet following the end of water utility business, particularly losses taken on disposal of assets. As a result, the company made an operating loss of £150k compared with an operating profit of £211k in 2015.

During the year the average number of employees was 39, a decrease of 7 on the previous year.

As a member of the Owen Pugh Group, HCS Drain Services 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 volume of demand for the company's services in the North East of England. Key factors behind this are the strength of the property market, particularly commercial and industrial, and the state of the general economy.

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.

INTEREST RATE RISKS

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 RISKS

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

H C S DRAIN SERVICES LIMITED

Strategic Report *(continued)*

Year ended 31st March 2016

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.

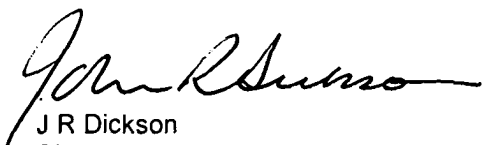
LIQUIDITY RISKS

The company 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 and having 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

H C S DRAIN SERVICES 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.

Directors

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

J R Dickson

R S Armstrong

J R Grant

(Appointed 1st April 2015)

R J D Lowery was appointed as a director on 1 April 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

Disclosure has been made in the strategic report.

Principal activities

The principal activity of the company during the year was that of the provision of emergency and contract drain cleaning services and CCTV surveys.

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.

H C S DRAIN SERVICES LIMITED

Directors' Report *(continued)*

Year ended 31st March 2016

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.

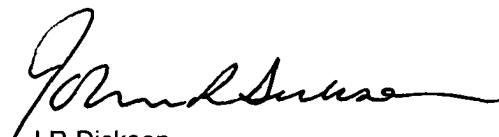
Auditor

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

H C S DRAIN SERVICES LIMITED

Independent Auditor's Report to the Shareholders of H C S Drain Services Limited

Year ended 31st March 2016

We have audited the financial statements of H C S Drain Services Limited for the year ended 31st March 2016, on pages 8 to 20. 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.

H C S DRAIN SERVICES LIMITED

Independent Auditor's Report to the Shareholders of H C S Drain Services 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

H C S DRAIN SERVICES LIMITED

Income Statement

Year ended 31st March 2016

		2016	2015
	Note	£	£
Turnover	4	2,236,355	3,981,606
Cost of sales		(1,711,610)	(3,109,442)
Gross profit		<u>524,745</u>	<u>872,164</u>
Administrative expenses		(675,135)	(661,654)
Operating (loss)/profit	5	(150,390)	210,510
Interest payable and similar charges	8	(48,247)	(33,406)
(Loss)/profit on ordinary activities before taxation		<u>(198,637)</u>	<u>177,104</u>
Tax on (loss)/profit on ordinary activities	9	26,124	(21,923)
(Loss)/profit for the financial year		<u>(172,513)</u>	<u>155,181</u>

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 20 form part of these financial statements.

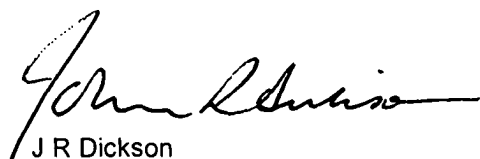
H C S DRAIN SERVICES LIMITED

Statement of Financial Position

31st March 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	1,207,820	1,669,140
Current assets			
Debtors	12	733,015	1,157,826
Cash at bank and in hand	13	9,836	1,245,304
		<u>742,851</u>	<u>2,403,130</u>
Creditors: amounts falling due within one year	14	<u>(424,719)</u>	<u>(2,023,552)</u>
Net current assets		318,132	379,578
Total assets less current liabilities		1,525,952	2,048,718
Creditors: amounts falling due after more than one year	15	(310,202)	(634,331)
Provisions			
Taxation including deferred tax	18	<u>(74,583)</u>	<u>(100,707)</u>
Net assets		<u>1,141,167</u>	<u>1,313,680</u>
Capital and reserves			
Called up share capital	20	100	100
Profit and loss account	21	<u>1,141,067</u>	<u>1,313,580</u>
Shareholders funds		<u>1,141,167</u>	<u>1,313,680</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: 04758344

The notes on pages 11 to 20 form part of these financial statements.

H C S DRAIN SERVICES LIMITED

Statement of Changes in Equity

Year ended 31st March 2016

	Called up share capital £	Profit and loss account £	Total £
At 1st April 2014	100	1,158,399	1,158,499
Profit for the year	—	155,181	155,181
Total comprehensive income for the year	—	155,181	155,181
At 31st March 2015	100	1,313,580	1,313,680
Loss for the year	—	(172,513)	(172,513)
Total comprehensive income for the year	—	(172,513)	(172,513)
At 31st March 2016	<u>100</u>	<u>1,141,067</u>	<u>1,141,167</u>

The notes on pages 11 to 20 form part of these financial statements.

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements

Year ended 31st March 2016

1. Statement of compliance

These financial statements have been prepared in accordance 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 & Wales.

The registered office of the company 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 26.

H C S DRAIN SERVICES 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.

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 so 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 the depreciation charged in the profit and loss account during the year was £237,518.

Revenue recognition

Turnover represents the value of sales made during the year net of discounts, returns and Value Added Tax. The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

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.

H C S DRAIN SERVICES 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.

Amortisation

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

Goodwill	- 10% straight line
----------	---------------------

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost less 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 and Machinery	- 4 - 10 years straight line
Fixtures and Fittings	- 3 - 10 years straight line
Motor Vehicles	- 5 - 7 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.

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

3. Accounting policies *(continued)*

Impairment of fixed assets *(continued)*

Finance lease agreements

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

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.

Hire purchase agreements

Assets held under finance leases are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

4. Turnover

Turnover arises from:

	2016	2015
	£	£
Rendering of services	<u>2,236,355</u>	<u>3,981,606</u>

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

4. Turnover *(continued)*

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

5. Operating profit

Operating profit or loss is stated after charging:

	2016	2015
	£	£
Depreciation of tangible assets	237,518	215,803
Loss/(gains) on disposal of tangible assets	38,511	(16,381)
Defined contribution plans expense	19,649	23,668
Operating lease costs	<u>99,797</u>	<u>118,693</u>

6. Auditor's remuneration

	2016	2015
	£	£
Fees payable for the audit of the financial statements	<u>5,038</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	6	7
Number of operational staff	<u>33</u>	<u>39</u>
	<u>39</u>	<u>46</u>

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

	2016	2015
	£	£
Wages and salaries	1,007,749	1,189,903
Social security costs	83,257	109,125
Other pension costs	<u>19,649</u>	<u>23,668</u>
	<u>1,110,655</u>	<u>1,322,696</u>

The 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 £9,930 (2015: £20,902) to the company as part of the management charge.

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

8. Interest payable and similar charges

	2016 £	2015 £
Interest on bank loans and overdrafts	–	54
Interest on obligations under finance leases and hire purchase contracts	48,247	33,352
	<u>48,247</u>	<u>33,406</u>

9. Tax on (loss)/profit on ordinary activities

Major components of tax (income)/expense

	2016 £	2015 £
Current tax:		
UK current tax expense	–	8,571
Deferred tax:		
Origination and reversal of timing differences	(26,124)	13,352
Tax on (loss)/profit on ordinary activities	<u>(26,124)</u>	<u>21,923</u>

Reconciliation of tax (income)/expense

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

	2016 £	2015 £
(Loss)/profit on ordinary activities before taxation	(198,637)	177,104
(Loss)/profit on ordinary activities by rate of tax	(39,727)	35,421
Effect of expenses not deductible for tax purposes	37	297
Group relief surrendered/(claimed)	21,534	(13,795)
Adjustment to closing deferred tax position to average rate	(8,287)	–
Deferred tax not recognised	319	–
Tax on (loss)/profit on ordinary activities	<u>(26,124)</u>	<u>21,923</u>

10. Intangible assets

	Goodwill £
Cost	
At 1 Apr 2015 and 31 Mar 2016	<u>60,000</u>
Amortisation	
At 1 Apr 2015 and 31 Mar 2016	<u>60,000</u>
Carrying amount	
At 31st March 2016	<u>–</u>

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

11. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2015	2,166,270	105,359	328,034	2,599,663
Additions	–	11,235	–	11,235
Disposals	(305,526)	–	(47,046)	(352,572)
At 31 March 2016	1,860,744	116,594	280,988	2,258,326
Depreciation				
At 1 April 2015	708,507	51,551	170,465	930,523
Charge for the year	176,251	23,774	37,493	237,518
Disposals	(94,608)	–	(22,927)	(117,535)
At 31 March 2016	790,150	75,325	185,031	1,050,506
Carrying amount				
At 31 March 2016	1,070,594	41,269	95,957	1,207,820
At 31 March 2015	1,457,763	53,808	157,569	1,669,140

Included within the net book value of £1,207,820 is £695,615 (2015: £1,060,718) 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 £89,259 (2015: £80,377).

12. Debtors

	2016 £	2015 £
Trade debtors	274,496	222,572
Amounts owed by group undertakings	439,572	929,752
Prepayments and accrued income	2,501	4,056
Other debtors	16,446	1,446
	733,015	1,157,826

13. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2016 £	2015 £
Cash at bank and in hand	9,836	1,245,304
Bank overdrafts	(39,514)	–
	(29,678)	1,245,304

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

14. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts	39,514	–
Trade creditors	30,557	114,057
Amounts owed to group undertakings	–	1,472,347
Accruals and deferred income	41,981	39,098
Corporation tax	–	8,571
Social security and other taxes	134,684	143,165
Obligations under finance leases and hire purchase contracts	177,983	246,314
	<u>424,719</u>	<u>2,023,552</u>

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.

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

	2016 £	2015 £
Obligations under finance leases and hire purchase contracts	<u>310,202</u>	<u>634,331</u>

Hire purchase agreements are secured on the assets to which they relate.

16. 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	177,983	246,314
Later than 1 year and not later than 5 years	310,202	634,331
	<u>488,185</u>	<u>880,645</u>

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

17. Deferred tax

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

	2016	2015
	£	£
Included in provisions (note 18)	<u>74,583</u>	<u>100,707</u>

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

	2016	2015
	£	£
Accelerated capital allowances	74,715	101,173
Short term timing differences	(132)	(466)
	<u>74,583</u>	<u>100,707</u>

The net deferred tax liability expected to reverse in 2016/17 is £16,799. This relates to the reversal of timing differences on capital allowances.

18. Provisions

	Deferred tax (note 17)
	£
At 1st April 2015	100,707
Credit against provision	(26,124)
At 31st March 2016	<u>74,583</u>

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £19,649 (2015: £23,668).

The unpaid contributions outstanding at the year end are £1,153 (2015: £2,330).

20. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

21. Reserves

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

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

H C S DRAIN SERVICES LIMITED

Notes to the Financial Statements *(continued)*

Year ended 31st March 2016

22. Operating leases

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

	2016	2015
	£	£
Not later than 1 year	23,703	57,755
Later than 1 year and not later than 5 years	6,339	58,471
	<u>30,042</u>	<u>116,226</u>

23. 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.

24. 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.

25. Ultimate parent undertaking and controlling party

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

26. 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.