Registered,

COMPANY REGISTRATION NUMBER SC028860

McGOWAN AND COMPANY (CONTRACTORS) LIMITED

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

TO

31st JULY 2016

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTOR
JOHN R SMART

COMPANY SECRETARY
PATRICIA SWEENEY

REGISTERED OFFICE
28 CRAMOND ROAD SOUTH
EDINBURGH
EH4 6AB

BANKERS
BANK OF SCOTLAND
38 ST ANDREW SQUARE
EDINBURGH
EH2 2YR

AUDITORS
FRENCH DUNCAN LLP
CHARTERED ACCOUNTANTS
133 FINNIESTON STREET
GLASGOW
G3 8HB

SOLICITORS
ANDERSON STRATHERN LLP
1 RUTLAND COURT
EDINBURGH
EH3 8EY

REPORT OF THE DIRECTOR 31st July 2016

The Director presents his Annual Report and Statement of Accounts of the Company for the year ended 31st July 2016.

STRATEGIC REPORT

The Director has prepared a Strategic Report which presents a fair review of the business during the year to 31st July 2016 and of the position of the Company at the end of the financial year. The Strategic Report also includes a description of the principal risks and uncertainties faced by the Company. The Strategic Report can be found on pages 4 to 6 and is incorporated into the Report of the Director by reference.

RESULTS AND DIVIDENDS

The profit of the Company for the year after tax amounted to £52,264 (2015, loss £4,329).

The Director paid no dividends in the year and is not proposing a final dividend.

DIRECTOR AND HIS INTERESTS

The Director who served the Company during the year was as follows:

John R Smart

The Company is a wholly owned subsidiary and the interest of the Director in the shares of the Parent Company is disclosed in the financial statements of the Parent Company.

GOING CONCERN

The Company's business activities, performance and principal risks and uncertainties are set out in the Strategic Report.

The Company has adequate financial resources and is not reliant on external funding, and the Director believes that the Company is well placed to manage its business risks successfully. After making enquiries, the Director has a reasonable expectation that the Company has adequate financial resources to allow the Company to continue in operational existence for the foreseeable future and therefore considers the adoption of the going concern basis as appropriate for the preparation of the Annual Report and Statement of Accounts.

FUTURE DEVELOPMENTS

It is not anticipated that the activities of the Company, as described in the Strategic Report, will substantially change in the immediate future.

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

It is the policy of the Company not to make donations for political purposes to EU Political Parties or incur EU Political Expenditure and accordingly the Company made no donations or incurred no such expenditure in the year.

AUDITORS

The Company's auditors, French Duncan LLP, have expressed their willingness to continue in office. Resolutions to re-appoint them as the Company's auditors and to authorise the Director to determine their remuneration will be proposed at the Company's forthcoming Annual General Meeting.

STATEMENT OF DISCLOSURE TO AUDITORS

In the case of the Director who was a Director at the date this Report was approved:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors is unaware, and

- the Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

APPROVED BY THE BOARD OF DIRECTORS

Patricia Sweeney

15th November 2016

PATRICIA SWEENEY
Company Secretary

The Director presents his Strategic Report of the Company for the year ended 31st July 2016.

The purpose of the Strategic Report is to provide the members of the Company with information to allow them to assess how the Director has performed his duty to promote the success of the Company.

OUR BUSINESS MODEL, STRATEGY AND OBJECTIVES

The Company was incorporated in 1952.

The Company's principal activity is to provide plumbing services to its Parent Company, J Smart & Co (Contractors) PLC.

The Company is a wholly owned subsidiary of J Smart & Co (Contractors) PLC, a construction company based in Edinburgh.

We maintain a core employee base which is beneficial to the growth and success of the Company due to the fact that they have the expertise to ensure work is efficiently run, achieve high level of work quality and retain control over operations.

Our objectives are to provide the best plumbing support to J Smart & Co (Contractors) PLC to assist that Company in exploiting promising business opportunities as they arise to the benefit of both Companies, their shareholders and employees without over extending Company and Group resources. While endeavouring to do this we do not set ourselves general performance yardsticks or volumetric targets.

To achieve these objectives our strategy is to continue to retain our core workforce to ensure work quality. We will build up our resources to ensure the Company has sufficient current working capital facilities and financing for future activities.

In achieving our objectives we aim to generate value by creating long-term and sustainable returns for our shareholder by growing our income and profits and increasing the net assets of the Company.

PERFORMANCE REVIEW

	2016	*2015*
	£	*£*
Revenue	**1,375,031**	*1,101,952*
Operating profit/(loss)	**65,613**	*(5,297)*
Profit/(loss) before tax	**65,613**	*(5,270)*
Net bank position	**444,491**	*405,145*
Net assets	**554,202**	*501,938*

The Company's revenue is dependent entirely on work obtained from its parent company and given that the level of construction activity of J Smart & Co (Contractors) PLC was more this year than last year this has resulted in the revenue for this Company increasing by 25%. This increased revenue has helped the Company to recover overhead costs and has resulted in the Company earning an operating profit compared to an operating loss in the previous year.

The profit earned by the Company net of expenditure on plant and equipment has been reflected in the increase in the bank position and the profit earned by the Company has been reflected in the increase in the net assets of the Company.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of bank balances and cash, trade receivables and trade payables. The main purpose of the financial instruments are to provide working capital for the Company's continuing activities and provide funding for future activities. Given the nature of the Company's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact exposure is with Group undertakings. The Company is not exposed to interest rate risk as it does not have any debt.

TOTAL DIVIDEND

The Director paid no dividends in the year and is not proposing a final dividend.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company and the mitigating factors taken by the Company against these risks are detailed below. The principal risks noted below are not all of the risks faced by the Company but are those risks which the Company perceives as those which could have a significant impact on the Company's performance and future prospects.

Area of principal risk or uncertainty and impact	Mitigating actions and controls
The sector in which our Parent Company and therefore this Company operates is highly competitive with tight margins.	• Employ our own personnel who are supervised by site agents who are long serving employees of the Company, who have been promoted through their trade, thus ensuring control of labour costs on contracts. • In house technicians and surveyors provide pre-contract design advice to resolve potential technical problems with the build and therefore potential costs.
Political events and policies result in uncertainty until final decisions have been made and the impact of decisions are known, this could result in delays in investment decisions which could impact on our activities.	• Before any decisions are taken by the Director the level of uncertainty and range of potential outcomes arising from political events and policies are considered.

EMPLOYEES

The Company recognises the contribution of the staff to the success of the Company. The Company operates with a core employee base who in the main have been with the Company for a considerable length of time and have gained a significant knowledge of the sector within which the Company operates. The Company recognises the importance of retaining its core staff to ensure its future success.

The Company is committed to providing equal opportunities in recruitment and employment, full and fair consideration is given to all applicants for employment and to all existing employees for promotion. Where employees become disabled during their employment and are unable to fulfil current duties they are offered suitable alternative employment within the Company, if feasible.

It is the Company's policy that there should be effective communication with employees at all levels, on matters which affect their current jobs or future prospects and all Directors and senior staff members throughout the Group make themselves available to all staff to discuss any matters of concern. In achieving this policy, the Director is aware of the need to take account of the practical and commercial considerations of the Company and the needs of the employees.

APPROVED BY THE BOARD OF DIRECTORS

Patricia Sweeney

15th November 2016

PATRICIA SWEENEY
Company Secretary

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Director is responsible for preparing the Annual Report and Statement of Accounts in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law he has prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the Director is also responsible for preparing a Report of the Director and a Strategic Report that complies with that law and those regulations.

DIRECTOR'S RESPONSIBILITY STATEMENT

The Director confirms to the best of his knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Report of the Director and Strategic Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Statement of Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's business model, performance and strategy.

APPROVED BY THE BOARD OF DIRECTORS

Patricia Sweeney

PATRICIA SWEENEY
Company Secretary

15th November 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF McGOWAN AND COMPANY (CONTRACTORS) LIMITED

We have audited the financial statements of McGowan and Company (Contractors) Limited for the year ended 31st July 2016 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and related notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

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 THE DIRECTOR AND AUDITORS

As explained more fully in the Statement of Director's Responsibilities set out on page 7, the Director is 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 Director; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual 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 July 2016 and of the profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the financial statements 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 Report of the Director and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

French Duncan LLP

PAULA GALLOWAY
Senior Statutory Auditor
for and on behalf of FRENCH DUNCAN LLP
Statutory Auditor and Chartered Accountants

133 FINNIESTON STREET,
GLASGOW, G3 8HB
15th November 2016

McGowan and Company (Contractors) Limited

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st July 2016

	Notes	2016 £	*2015* *£*
REVENUE		**1,375,031**	*1,101,952*
Cost of sales		**(1,121,591)**	*(926,667)*
GROSS PROFIT		**253,440**	*175,285*
Net operating expenses		**(187,827)**	*(180,582)*
OPERATING PROFIT/(LOSS)	**3**	**65,613**	*(5,297)*
Finance income	**4**	**–**	*27*
PROFIT/(LOSS) BEFORE TAX		**65,613**	(5,270)
Taxation	**5**	**(13,349)**	*941*
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDER		**52,264**	*(4,329)*

All activities in both the current and previous year relate to continuing operations.

McGowan and Company (Contractors) Limited

STATEMENT OF CHANGES IN EQUITY
as at 31st July 2016

	Share Capital £	Retained Earnings £	Total £
At 1st August 2014	1,000	505,267	506,267
Loss for year	–	(4,329)	(4,329)
Total comprehensive loss for the year	–	(4,329)	(4,329)
At 31st July 2015	1,000	500,938	501,938
Profit for year	–	52,264	52,264
Total comprehensive income for the year	–	52,264	52,264
At 31st July 2016	1,000	553,202	554,202

McGowan and Company (Contractors) Limited

STATEMENT OF FINANCIAL POSITION
as at 31st July 2016

	Notes	2016 £	*2015 £*
NON-CURRENT ASSETS			
Property, plant and equipment	**6**	**14,455**	*9,628*
Deferred tax asset	**12**	**2,024**	*2,131*
		16,479	*11,759*
CURRENT ASSETS			
Inventories	**7**	**58,416**	*38,353*
Trade and other receivables	**8**	**147,199**	*146,152*
Current tax asset		**–**	*641*
Cash and cash equivalents	**9**	**444,491**	*405,145*
		650,106	*590,291*
TOTAL ASSETS		**666,585**	*602,050*
CURRENT LIABILITIES			
Trade and other payables	**10**	**99,141**	*100,112*
Current tax liability		**13,242**	*–*
		112,383	*100,112*
TOTAL LIABILITIES		**112,383**	*100,112*
NET ASSETS		**554,202**	*501,938*
EQUITY			
Called up share capital	**13**	**1,000**	*1,000*
Retained earnings		**553,202**	*500,938*
TOTAL EQUITY		**554,202**	*501,938*

The financial statements on pages 10 to 25 were approved by the Board of Directors and authorised for issue on 15th November 2016 and were signed on its behalf by:

JR Smart

JOHN R SMART
Director

Company Number SC028860

McGowan and Company (Contractors) Limited

STATEMENT OF CASH FLOWS
for the year ended 31st July 2016

	Notes	2016 £	2015 £
CASH FLOWS FROM OPERATING ACTIVITIES	**14(a)**	**50,703**	*(101,879)*
Tax received		**641**	*29,830*
NET CASH FLOWS FROM OPERATING ACTIVITIES		**51,344**	*(72,049)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(13,823)**	–
Sale of property, plant and equipment		**1,825**	–
Interest received		**–**	*27*
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(11,998)**	*27*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**39,346**	*(72,022)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14(b)**	**405,145**	*477,167*
CASH AND CASH EQUIVALENTS AT END OF YEAR	**14(b)**	**444,491**	*405,145*

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

McGowan and Company (Contractors) Limited is a limited company registered in Scotland and incorporated in the United Kingdom.

STATEMENT OF COMPLIANCE

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31ST JULY 2016

There have been no new International Financial Reporting Standards or amendments to existing standards which impact the Company's financial statements in the year to 31st July 2016.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new standards, amendments to standards and interpretations relevant to the Company have been issued by the International Accounting Standards Board but are not yet effective for the Company at the date of these financial statements, and have not been adopted early:

- IFRS 7: Financial Instruments: Disclosures (effective in the year ending 31st July 2017).
- IFRS 9: Financial Instruments (effective in the year ending 31st July 2019).
- IFRS 15: Revenue from Contracts with Customers (effective in the year ending 31st July 2019).
- IFRS 16: Leases (effective in the year ending 31st July 2020).

The Director is to fully consider the implications and impact on the financial statements of these Standards, especially IFRS 15. It is not currently practical to anticipate the financial impact of these standards on the financial statements.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES *(continued)*

BASIS OF PREPARATION

The accounts have been prepared on a going concern basis and under the historical cost convention.

The accounting policies set out below have been consistently applied to all periods presented in these accounts.

The preparation of financial statements requires management to make estimates and assumptions concerning the future that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Management believes that the estimates and assumptions used in the preparation of these accounts are reasonable. However, actual outcomes may differ from those anticipated.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

LONG-TERM CONTRACT PROVISIONS
Judgement is required in the area of provisions for losses on long-term contracts. The Director takes into account the estimated costs to complete and the percentage stage of completion of current contracts when determining the provision for losses. The Director considers adequate, but not excessive provisions have been made in this respect.

CAPITAL MANAGEMENT

Company objectives in managing capital are to safeguard the interests of the Company to operate as a debt-free going concern and of its employees to maintain wherever possible security of employment, remuneration and retirement provisions.

The capital structure of the Company consists of issued share capital and retained earnings, represented predominantly by cash.

The Company has sufficient cash reserves and readily realisable assets available to meet its foreseeable commitments.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of them can be measured reliably. All other repair and maintenance expenditure is charged to the Statement of Comprehensive Income as incurred.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (*continued*)

DEPRECIATION

Depreciation is provided on all items of plant and equipment at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Plant and machinery	- 25% reducing balance
Motor vehicles	- 33 1/3% reducing balance

IMPAIRMENT REVIEWS

PROPERTY, PLANT AND EQUIPMENT
Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets.

The Company assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If an indication exists the Company makes an estimate of the recoverable amount of each asset group, being the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets.

If there is an indication that previously recognised impairment losses may have decreased or no longer exist, a reversal of the loss may be made. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and any subsequent reversals are recognised in the Statement of Comprehensive Income.

INVENTORIES AND WORK IN PROGRESS

Inventories are valued at the lower of cost and net realisable value.

Work in progress other than long-term contract work in progress is valued at the lower of cost and net realisable value.

Cost includes materials, on a first-in first-out basis and direct labour plus attributable overheads based on normal operating activity, where applicable. Net realisable value is the estimated selling price less anticipated disposal costs.

Variations and claims are included in Revenue where it is probable that the amount, which can be measured reliably, will be recovered from the customer.

LONG-TERM CONTRACTS

Amounts recoverable on contracts which are included in debtors are stated at cost as defined above, plus attributable profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in trade and other payables as payments on account.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (*continued*)

INCOME TAX

The charge for current UK corporation tax is based on results for the year as adjusted for items that are non-assessable or disallowed and any adjustments for tax payable in respect of previous years. It is calculated using rates that have been enacted or substantially enacted at the Balance Sheet date.

DEFERRED TAXATION

Deferred tax is provided using the liability method in respect of temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided on all temporary differences.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Statement of Comprehensive Income except when it relates to items credited or charged directly to Equity, in which case the deferred tax is also dealt with in Equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

PENSIONS

The Company operates a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and professionally managed. Contributions payable are expensed to the Statement of Comprehensive Income as incurred.

The Company is a member of a multi-employer defined benefit scheme. As a multi-employer scheme it is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. Therefore, as required by IAS19 (amended): Employee Benefits, the Company accounts for this scheme as if it was a defined contribution scheme. Contributions payable are expensed to the Statement of Comprehensive Income as incurred.

REVENUE

Revenue, which is stated net of value added tax, represents the amounts received and receivable in respect of plumbing services to the Group in the year. The measurement and stage of completion of long-term contracts are based on valuations agreed with third party surveyors.

Profits on long-term contracts are calculated in accordance with International Financial Reporting Standards and do not relate directly to revenue. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain after making provision for contingencies, whilst provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES *(continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements. The Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they arise.

TRADE AND OTHER RECEIVEABLES
Trade and other receivables are recognised at invoiced value less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the terms of the receivables concerned.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash in hand, deposits with banks and other short-term, highly liquid investments with original maturities of three months or less. For the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

TRADE AND OTHER PAYABLES
Trade and other payables are non-interest bearing and are recognised at invoiced amount.

MEASUREMENT OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which a change has occurred.

Further information about the assumptions made in measuring fair values is included in note 11 – Financial Instruments.

2. STAFF COSTS AND DIRECTOR'S REMUNERATION

	2016	2015
	£	£
Staff costs during the year amounted to:		
Wages, salaries and short term benefits	497,772	426,765
Social security costs	47,496	40,037
Post-employment benefits	41,829	35,061
	587,097	501,863

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

	No.	No.
Construction and related services	13	11
Office and management	1	1
	14	12

No remuneration was paid to the Director of this Company in this or the previous year.

Key management comprises solely of the Director of the Company.

3. OPERATING PROFIT/(LOSS)

	£	£
This is stated after charging/(crediting):		
Staff costs (per note 2)	587,097	501,863
Depreciation of owned assets	7,227	4,814
Profit on disposal of property, plant and equipment	(56)	–
Auditors' remuneration and expenses	6,550	6,550

4. FINANCE INCOME

Income:	Other Interest	–	27

5. TAXATION

	2016	2015
	£	£
UK Corporation Tax		
Current tax on income for the year	13,242	(641)
Corporation tax over provided in previous years	–	27
	13,242	(614)
Deferred taxation (note 12)	107	(327)
	13,349	(941)

	2016	2015
Current Tax Reconciliation		
Profit/(loss) on ordinary activities before tax	65,613	(5,270)
Current tax at 20.00% (2015, 20.67%)	13,123	(1,089)
Effects of:		
Expenses not deductible for tax purposes	–	105
Effect of changes in tax rate	226	16
Adjustments to corporation tax charge in respect of prior years	–	27
	13,349	(941)

The Finance Act 2015, which received Royal Assent on 26th March 2015 stated that the UK corporation tax rate would be 20% for financial years commencing 1st April 2015. The Finance (No.2) Act 2015, which received Royal Assent on 18th November 2015, reduced the UK corporation tax rate to 19% for financial years commencing 1st April 2017 to 1st April 2019 and to 18% for financial year commencing 1st April 2020. The Finance Act 2016, which received Royal Assent on 15th September 2016, reduced the rate to 17% for financial years commencing 1st April 2020.

The effective corporation tax rate is 20.00% (2015, 20.67%) being the average rate applicable over the period. Deferred tax provisions have been calculated using the 18% rate.

6. PROPERTY, PLANT AND EQUIPMENT

	Plant, equipment and vehicles
	£
Cost:	
At 1st August 2015	60,511
Additions	13,823
Disposals	(13,437)
At 31st July 2016	60,897
Depreciation:	
At 1st August 2015	50,883
Provided during year	7,227
On disposals	(11,668)
At 31st July 2016	46,442
Net book value:	
At 31st July 2016	14,455

6. PROPERTY, PLANT AND EQUIPMENT (*continued*)

	Plant, equipment and vehicles £
Cost:	
At 1st August 2014 and 31st July 2015	60,511
Depreciation:	
At 1st August 2014	46,069
Provided during year	4,814
At 31st July 2015	50,883
Net book value:	
At 31st July 2015	9,628

7. INVENTORIES

	2016 £	*2015* £
Raw materials and consumables	**58,416**	*38,353*

CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:		
Aggregate amounts of costs incurred and recognised profits less recognised losses to date	**1,153,585**	*758,432*
Retentions outstanding	**36,242**	*22,899*
Advances received	**(1,087,668)**	*(644,843)*
Net value of contracts in progress	**102,159**	*136,488*

8. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Trade receivables	293	58
Amounts owed by Group Companies	42,719	32,368
Other debtors	16,812	547
Prepayments and accrued income	3,216	3,167
Amounts recoverable on contracts	84,159	110,012
	147,199	146,152

Trade receivables are shown net of provision for doubtful debts of £nil (2015, £nil).

The ageing of past due but not impaired trade receivables is as follows:

Less than 30 days	293	179
30 to 60 days	–	–
Greater than 60 days	–	(121)
	293	58

The Director considers that the carrying amount of trade and other receivables approximates to their fair value.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

Cash at bank and on hand	444,491	405,145

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all monies, obligations and liabilities owing or incurred to the bank.

10. TRADE AND OTHER PAYABLES

Trade payables	39,349	48,107
Other taxes and social security costs	8,995	10,218
Other creditors and accruals	50,797	41,787
	99,141	100,112

11. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise bank balances and cash, trade receivables and trade payables. The amounts presented in relation to trade receivables are net of allowances for doubtful receivables.

There is no significant impairment loss recognised or significant receivables that are past due but not impaired.

The carrying amount of these assets approximates to their fair value.

Credit risk
In relation to the Company's financial assets, the Company has no significant concentration of credit risk, as exposure is to Group undertakings.

12. DEFERRED TAXATION

Deferred Tax Assets

	Other Timing Differences £
At 1st August 2014	1,804
Credited to Statement of Comprehensive Income	327
At 31st July 2015	2,131
Charged to Statement of Comprehensive Income	(107)
At 31st July 2016	2,024

13. SHARE CAPITAL

	2016 **£**	2015 £
Allotted called up and fully paid		
1,000 (2015, 1,000) ordinary shares of £1 each	**1,000**	*1,000*

All shareholders of ordinary shares have a right to receive dividends paid by the Company in accordance with their shareholding. Each shareholder has the right to attend and vote at a General Meeting, each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF PROFIT/(LOSS) BEFORE TAX TO CASH FLOWS FROM OPERATING ACTIVITIES

	2016	2015
	£	£
Profit/(loss) before tax	65,613	(5,270)
Depreciation	7,227	4,814
Profit on sale of property, plant and equipment	(56)	–
Interest received	–	(27)
Change in inventories	(20,063)	(22,306)
Change in receivables	(1,047)	(97,371)
Change in payables	(971)	18,281
CASH FLOWS FROM OPERATING ACTIVITIES	50,703	(101,879)

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

	2016	2015
Cash and cash equivalents	444,491	405,145

(c) ANALYSIS OF NET FUNDS

	At 1st August 2015	Cash Flow	At 31st July 2016
	£	£	£
Cash and cash equivalents	405,145	39,346	444,491

15. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2016 or 31st July 2015.

16. RETIREMENT BENEFITS OBLIGATIONS

DEFINED CONTRIBUTION SCHEMES
In the year to 31st July 2003 the Company commenced operation of a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and managed professionally by AEGON UK. The net contribution to the plan for the year was £10,200 (2015, £10,999).

MULTI-EMPLOYER SCHEME
The Company is also a member of the multi-employer pension scheme, Plumbing & Mechanical Services (UK) Industry Pension Scheme. The Company makes contributions to this scheme which in the year amounted to £30,570 (2015, £23,068) and are expensed through the Statement of Comprehensive Income as incurred.

No provision has been made for amounts payable by the Company in respect of Section 75 pension liabilities relating to the Company's participation in this scheme given that, as at the date of these financial statements, any potential liability has not yet been assessed.

At the last actuarial valuation of this scheme carried out as at 5th April 2014 the assets of the scheme covered 101% of the scheme's liabilities.

17. RELATED PARTY TRANSACTIONS

(a) GROUP COMPANIES

Transactions between the Company and its fellow Group Companies are as follows:-

	2016	*2015*	**2016**	*2015*
	£	*£*	**£**	*£*
	Sale of goods and services		Purchase of goods and services	
GROUP COMPANY				
J Smart & Co (Contractors) PLC	**1,323,000**	*795,624*	**134,164**	*138,632*
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	–	–	–	–
Concrete Products (Kirkcaldy) Limited	–	*5,780*	–	–
C & W Assets Limited	**42,473**	*121,329*	–	–

	Amounts owed by fellow Group Company		Amounts owed to fellow Group Company	
GROUP COMPANY				
J Smart & Co (Contractors) PLC	**33,991**	*18,965*	–	–
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	–	–	–	–
Concrete Products (Kirkcaldy) Limited	–	–	–	–
C & W Assets Limited	**8,728**	*13,403*	–	–

The Company is also owed £84,159 (2015, £110,012) from J Smart & Co (Contractors) PLC in respect of amounts recoverable on long-term contracts.

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Group Companies.

(b) DIRECTOR'S REMUNERATION

No Director's remuneration is paid by this Company.

(c) PENSION SCHEMES

Disclosures in relation to the pension schemes are included in note 16 to the Accounts.

18. ULTIMATE PARENT COMPANY

J Smart & Co (Contractors) PLC, registered in Scotland is regarded by the Director as being the Company's ultimate Parent Company. Group accounts are available from the Parent Company's registered office at 28 Cramond Road South, Edinburgh, EH4 6AB.