

CLARK CONTRACTS (GROUP) LIMITED

Company registration number SC478631

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2018

**COMPANIES HOUSE
EDINBURGH**

29 JUL 2019

FRONT DESK



CLARK CONTRACTS (GROUP) LIMITED

COMPANY INFORMATION

Directors	Gerry Cummins Gordon Cunningham John Mooney Michael Scanlan
Company secretary	John Mooney
Registered number	SC478631
Registered office	23 McFarlane Street Paisley PA3 1RY
Independent auditor	Scott-Moncrieff Chartered Accountants 25 Bothwell Street Glasgow G2 6NL
Bankers	Santander 5th Floor, The Capital Building 12-13 St Andrew Square Edinburgh EH2 2AF

CLARK CONTRACTS (GROUP) LIMITED

CONTENTS

	Page
Managing Director's Report	1 - 2
Group Strategic Report	3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Financial Statements	15 - 31

CLARK CONTRACTS (GROUP) LIMITED

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

The Managing Director presents his statement for the year:

The level of competitiveness in our sector has always been high and remains so and we continue to monitor and benchmark our performance, utilising a number of recognised industry Key Performance Indicators (KPIs) in the following areas:

Health and safety
People
Customers
Financial
Environmental
Supply Chain Management
Business Development

Health & Safety is always a prime focus for us and in 2018 we were presented with our 3rd RoSPA Presidents Award for Health and Safety in recognition of being awarded the RoSPA Gold Award for the 12th consecutive year.

In September 2018 we became one of the first companies in the Construction Sector to achieve ISO 45001:2018 which is the world's first international standard dealing with Health & Safety at Work.

As part of our long term strategy we have developed a balance of workload from both the Public and Private Customers and have continued to focus on repeat business whilst targeting new customers and sectors to support the long term growth of the business.

Long term investments continue to be made in our infrastructure and we remain committed to continuous incremental improvement throughout the business, to ensure we remain agile and efficient in all our markets.

Results

The Directors regard turnover and gross margins as key performance measures.

Turnover for the company for the period has increased to £78.2m, gross profits have been recorded at £9.8m, representing 12.6% of turnover and the profit on ordinary activities before tax is £1.9m, representing an increase to 2.4% of turnover.

The directors consider this financial performance to be good, particularly in view of the high level of competitiveness in the sector.

The company's financial position is healthy and the prospects for the business moving forward are very positive.

People

We operate a strict risk management process on all individual contracts and frameworks and, notwithstanding individual project risk, the Directors consider the main strategic risk to the business to be an increased skills shortage. The business has continued to invest significantly in people and in 2018 we invested over £500k into our Training Academy as part of our Learning & Development strategy for developing our talent pipeline for our next generation of business leaders.

Over 20% of our staff are currently studying towards formal qualifications which run in parallel to our Clark Contracts Specific Training Programmes involving everyone in the business. Through this commitment to develop our talent pipeline, the Directors consider our people are, and will continue to be, our biggest strategic advantage, to support our continued growth.

The success of our Academy has been recognised externally through the many construction industry and all sector business Training and Development awards received in the last few years.

CLARK CONTRACTS (GROUP) LIMITED

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

Disabled Employees

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

Employee Involvement

We continue to regularly update all employees through our weekly news email updates and our twice yearly Division Briefings where we review financial and economic factors affecting the performance of the company. Feedback from our annual employee survey creates the basis of many of our company initiatives. Our employee led Steering Group meets monthly with a brief to develop employee engagement and act as a conduit for improvements in our Customers 1st campaign and the general development the business.

Future Prospects

We anticipate the growth of the business to continue in 2019 and margins to be maintained.

Our continued focus on people, through our award winning Academy and our post academy Development Programme, will combine vocational learning with our partner organisations in the further education sector and our own tailored training process focused on the development of our Customers 1st culture and on delivering 'the Clark Contracts Way'.

We remain in a strong position thereby allowing the directors to make the best medium to long term decisions to benefit the business.



Gordon Cunningham
Managing Director

Date 4 July 2019

CLARK CONTRACTS (GROUP) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

The directors present the Strategic Report and the financial statements of the group and company for the period ended 31 October 2018.

Review of the business

Clark Contracts (Group) Limited acts as a holding company for Clark Contracts Limited. Clark Contracts Limited is a leader in construction, building refurbishment and property maintenance, operating throughout the United Kingdom. The company undertakes projects and delivers maintenance services for clients in the commercial and public sectors. Available trades and services include joinery manufacturing, electrical, plumbing and decorating.

The Managing Director's Report on pages 1 to 2 refers in detail to the business review, results, people, disabled employees, employee involvement and future prospects applicable to the group.

Results and dividends

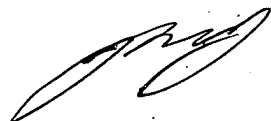
The results for the year are shown on the Consolidated Statement of Comprehensive Income on page 9. The profit for the year after taxation was £1,458,618 (2017: £853,748).

No dividend was paid during the current or prior year.

Fixed Assets

In the opinion of the directors, the value of the group's freehold land and buildings is not materially different to that shown in the financial statements when considered in relation to its use in the group's trade.

Signed on its behalf of the board.



John Mooney
Company Secretary

Approved by the board on 4 July 2019

CLARK CONTRACTS (GROUP) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

The directors present their report and the financial statements for the year ended 31 October 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 group and of the profit or loss of the group for that period.

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who served during the year were:

Gerry Cummins
Gordon Cunningham
John Mooney
Michael Scanlan

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the group since the year end.

CLARK CONTRACTS (GROUP) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018**

Auditor

The auditor, Scott-Moncrieff, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**John Mooney
Company Secretary**

Approved by the board on 4 July 2019

CLARK CONTRACTS (GROUP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLARK CONTRACTS (GROUP) LIMITED

Opinion

We have audited the financial statements of Clark Contracts (Group) Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 October 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

CLARK CONTRACTS (GROUP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLARK CONTRACTS (GROUP) LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

CLARK CONTRACTS (GROUP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLARK CONTRACTS (GROUP) LIMITED (CONTINUED)

Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

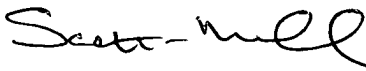
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Bernadette Higgins (Senior Statutory Auditor)
for and on behalf of
Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

4 July 2019

CLARK CONTRACTS (GROUP) LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2018**

	Note	2018 £	2017 £
Turnover	4	78,201,656	71,956,929
Cost of sales		(68,382,260)	(62,933,629)
Gross profit		9,819,396	9,023,300
Administrative expenses		(7,875,123)	(7,453,589)
Operating profit	5	1,944,273	1,569,711
Interest receivable and similar income		10,596	21,755
Interest payable and expenses		(75,892)	(445,619)
Profit before taxation		1,878,977	1,145,847
Tax on profit	8	(420,359)	(292,099)
Profit for the financial year		1,458,618	853,748

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

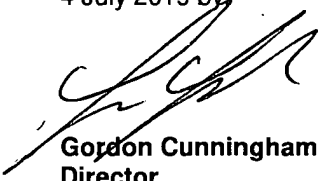
The notes on pages 15 to 31 form part of these financial statements.

CLARK CONTRACTS (GROUP) LIMITED
REGISTERED NUMBER: SC478631

CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	10	1,724,813	1,993,453
Tangible assets	11	1,882,726	2,011,411
		<u>3,607,539</u>	<u>4,004,864</u>
Current assets			
Stocks	13	1,474,249	745,917
Debtors: amounts falling due within one year	14	10,560,461	12,930,117
Cash at bank and in hand	15	9,221,250	6,870,717
		<u>21,255,960</u>	<u>20,546,751</u>
Creditors: amounts falling due within one year	16	(19,203,667)	(19,738,654)
Net current assets		<u>2,052,293</u>	<u>808,097</u>
Total assets less current liabilities		<u>5,659,832</u>	<u>4,812,961</u>
Creditors: amounts falling due after more than one year	17	(1,800,000)	(2,400,000)
Provisions for liabilities	20	(56,627)	(68,374)
Net assets		<u><u>3,803,205</u></u>	<u><u>2,344,587</u></u>
Capital and reserves			
Called up share capital	21	1,000	1,000
Share premium account	22	249,000	249,000
Profit and loss account	22	3,553,205	2,094,587
		<u><u>3,803,205</u></u>	<u><u>2,344,587</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 July 2019 by:


Gordon Cunningham
Director


John Mooney
Director

The notes on pages 15 to 31 form part of these financial statements.

CLARK CONTRACTS (GROUP) LIMITED
REGISTERED NUMBER:SC478631

COMPANY BALANCE SHEET
AS AT 31 OCTOBER 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	12	5,596,808	5,596,808
		<u>5,596,808</u>	<u>5,596,808</u>
Current assets			
Cash at bank and in hand	15	1,225	18,747
		<u>1,225</u>	<u>18,747</u>
Creditors: amounts falling due within one year	16	(4,566,319)	(3,908,199)
Net current liabilities		<u>(4,565,094)</u>	<u>(3,889,452)</u>
Total assets less current liabilities		<u>1,031,714</u>	<u>1,707,356</u>
Creditors: amounts falling due after more than one year	17	(1,800,000)	(2,400,000)
Net liabilities		<u>(768,286)</u>	<u>(692,644)</u>
Capital and reserves			
Called up share capital	21	1,000	1,000
Share premium account	22	249,000	249,000
Profit and loss account	22	(1,018,286)	(942,644)
		<u>(768,286)</u>	<u>(692,644)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 July 2019 by:


Gordon Cunningham
Director


John Mooney
Director

The notes on pages 15 to 31 form part of these financial statements.

CLARK CONTRACTS (GROUP) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2018**

	Share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 November 2016	1,000	249,000	1,240,839	1,490,839
Comprehensive income for the year				
Profit for the year	-	-	853,748	853,748
Total comprehensive income for the year	-	-	853,748	853,748
At 1 November 2017	1,000	249,000	2,094,587	2,344,587
Comprehensive income for the year				
Profit for the year	-	-	1,458,618	1,458,618
Total comprehensive income for the year	-	-	1,458,618	1,458,618
At 31 October 2018	1,000	249,000	3,553,205	3,803,205

The notes on pages 15 to 31 form part of these financial statements.

CLARK CONTRACTS (GROUP) LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2018**

	Share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 November 2016	1,000	249,000	(488,383)	(238,383)
Comprehensive income for the year				
Loss for the year	-	-	(454,261)	(454,261)
Total comprehensive income for the year	-	-	(454,261)	(454,261)
At 1 November 2017	1,000	249,000	(942,644)	(692,644)
Comprehensive income for the year				
Loss for the year	-	-	(75,642)	(75,642)
Total comprehensive income for the year	-	-	(75,642)	(75,642)
At 31 October 2018	1,000	249,000	(1,018,286)	(768,286)

The notes on pages 15 to 31 form part of these financial statements.

CLARK CONTRACTS (GROUP) LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,458,618	853,748
Adjustments for:		
Amortisation of intangible assets	268,640	268,640
Depreciation of tangible assets	249,766	221,333
Loss on disposal of tangible assets	-	(6,985)
Interest paid	75,892	445,619
Interest received	(10,596)	(21,755)
Taxation charge	420,359	292,099
(Increase)/decrease in stocks	(728,332)	4,987,279
Decrease/(increase) in debtors	2,369,656	(4,632,097)
(Decrease) in creditors	(665,186)	(565,607)
Corporation tax paid	(301,907)	(330,901)
Net cash generated from operating activities	3,136,910	1,511,373
Cash flows from investing activities		
Purchase of tangible fixed assets	(121,081)	(211,806)
Sale of tangible fixed assets	-	8,000
Interest received	10,596	21,755
Net cash from investing activities	(110,485)	(182,051)
Cash flows from financing activities		
New secured loans	-	3,000,000
Repayment of loans	(600,000)	(3,450,000)
Interest paid	(75,892)	(445,619)
Net cash used in financing activities	(675,892)	(895,619)
Net increase in cash and cash equivalents	2,350,533	433,703
Cash and cash equivalents at beginning of year	6,870,717	6,437,014
Cash and cash equivalents at the end of year	9,221,250	6,870,717
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	9,221,250	6,870,717

The notes on pages 15 to 31 form part of these financial statements.

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the group and its subsidiary transactions are denominated. They comprise the financial statements of the group drawn up for the year ended 31 October 2018.

The continuing activities of Clark Contracts (Group) Limited ('the group') is construction, building refurbishment and property maintenance.

The company is a private company limited by shares incorporated in the United Kingdom and registered in Scotland. Details of the registered office can be found on the company information page of these financial statements.

The company registered number is SC478631.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its subsidiary undertaking ('the group') as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The group has maintained a strong financial position during the year and the directors anticipate that the group will continue to be profit making for the year ended 31 October 2019 and beyond. The directors therefore continue to adopt the going concern assumption in the preparation of these financial statements.

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.4 Turnover

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

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.6 Finance costs

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

2.7 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the group in independently administered funds.

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.9 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life over 10 years.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Buildings	-	2% straight line
Plant and machinery	-	25% straight line
Motor vehicles	-	25% straight line
Equipment, fixtures and fittings	-	10% to 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.12 Valuation of investments

Fixed asset investments are stated at cost, less any provisions required where there has been a permanent diminution in their value.

2.13 Stocks

The value of work in progress comprises direct materials, direct labour and manufacturing overheads.

Long-term contract balances are stated at net costs less foreseeable losses less applicable payments on account. The amount recorded as turnover in respect of long-term contracts is ascertained by reference to the value of work carried out to date. Attributable profit is recognised as the difference between recorded turnover and related costs.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 12 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

2. Accounting policies (continued)

2.16 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire, or when the group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The directors are satisfied that accounting policies are appropriate and applied consistently. Key sources of accounting estimation have been applied to the depreciation rates which are deemed to be appropriate for the class of assets. In addition, accounting estimation has been applied to the valuation of WIP, which through the directors extensive knowledge of the business and industry is deemed to be acceptable. Goodwill has been amortised over 10 years which is deemed appropriate and in line with FRS102.

4. Turnover

The whole of the turnover is attributable to the principal activities of the group.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Directors' emoluments and pension contributions	985,306	765,992
Staff costs	10,265,136	9,769,013
Depreciation of tangible fixed assets	249,766	221,333
Gain on disposal of tangible fixed assets	-	(6,985)
Amortisation of goodwill	268,640	268,640
Auditor's remuneration - audit fees	10,345	10,345
Auditor's remuneration - non-audit fees	7,919	5,992
Plant hire	1,191,021	723,637

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	9,164,623	8,784,213	-	-
Social security costs	937,255	862,644	-	-
Cost of defined contribution scheme	163,258	122,156	-	-
	10,265,136	9,769,013	-	-

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Staff	157	150
Tradesmen	103	112
	260	262

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	961,968	742,801
Company contributions to defined contribution pension schemes	23,338	23,191
	985,306	765,992

During the year retirement benefits were accruing to 4 directors (2017 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £310,338 (2017 - £232,226).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,838 (2017 - £6,338).

The directors of the group are regarded as key management personnel. The group's social security costs for these individuals amounted to £116,178 (2017 - £90,034).

CLARK CONTRACTS (GROUP) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

8. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	432,406	274,718
Adjustments in respect of previous periods	(300)	8,302
Total current tax	432,106	283,020
Deferred tax		
Deferred tax charge for the year	(11,747)	9,079
Total deferred tax	(11,747)	9,079
Taxation on profit on ordinary activities	420,359	292,099

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.41%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,878,977</u>	<u>1,145,847</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.41%)	357,006	222,409
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	56,807	56,890
Capital allowances for year in excess of depreciation	5,464	5,787
Rate difference	1,382	(1,289)
Other timing differences leading to an increase (decrease) in taxation	(300)	8,302
Total tax charge for the year	<u>420,359</u>	<u>292,099</u>

Factors that may affect future tax charges

Following Budget 2016 announcements, there will be a reduction in the main rate of corporation tax for each year from the financial year beginning 1 April 2017 to the financial year beginning 1 April 2020, reducing the main rate by 3% by 2020.

9. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £75,642 (2017 – *loss of £454,261*).

CLARK CONTRACTS (GROUP) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

10. Intangible assets

Group

	Goodwill £
Cost	
At 1 November 2017	2,686,396
At 31 October 2018	<u>2,686,396</u>
Amortisation	
At 1 November 2017	692,943
Charge for the year	268,640
At 31 October 2018	<u>961,583</u>
Net book value	
At 31 October 2018	<u><u>1,724,813</u></u>
At 31 October 2017	<u><u>1,993,453</u></u>

CLARK CONTRACTS (GROUP) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

11. Tangible fixed assets

Group

	Buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 November 2017	2,260,127	464,578	33,001	788,805	3,546,511
Additions	-	1,050	-	120,031	121,081
Disposals	-	(65,832)	-	(99,578)	(165,410)
At 31 October 2018	2,260,127	399,796	33,001	809,258	3,502,182
Depreciation					
At 1 November 2017	625,306	433,533	19,250	457,011	1,535,100
Charge for the year	46,086	10,913	8,250	184,517	249,766
Disposals	-	(65,832)	-	(99,578)	(165,410)
At 31 October 2018	671,392	378,614	27,500	541,950	1,619,456
Net book value					
At 31 October 2018	1,588,735	21,182	5,501	267,308	1,882,726
At 31 October 2017	1,634,821	31,045	13,751	331,794	2,011,411

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

12. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 November 2017	5,596,808
At 31 October 2018	<u>5,596,808</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Class of shares	Holding
Clark Contracts Limited	Ordinary	100%

The aggregate of the share capital and reserves as at 31 October 2018 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Clark Contracts Limited	<u>8,443,486</u>	<u>1,802,900</u>

13. Stocks

	Group 2018 £	Group 2017 £
Work in progress	<u>1,474,249</u>	<u>745,917</u>

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

14. Debtors

	Group 2018 £	Group 2017 £
Trade debtors	8,051,738	10,014,677
Other debtors	691,968	562,424
Prepayments and accrued income	208,901	74,373
Amounts recoverable on long term contracts	1,607,854	2,278,643
	<u>10,560,461</u>	<u>12,930,117</u>

15. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	<u>9,221,250</u>	<u>6,870,717</u>	<u>1,225</u>	<u>18,747</u>

16. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	600,000	600,000	600,000	600,000
Trade creditors	7,010,897	6,574,008	-	-
Amounts owed to group undertakings	-	-	3,955,076	3,296,333
Corporation tax	294,906	164,707	-	-
Other taxation and social security	362,100	700,380	-	-
Other creditors	165,291	167,864	11,243	11,866
Amounts payable on contracts	2,368,732	3,643,019	-	-
Accruals and deferred income	8,401,741	7,888,676	-	-
	<u>19,203,667</u>	<u>19,738,654</u>	<u>4,566,319</u>	<u>3,908,199</u>

Pension contributions of £nil (2017: £nil) are outstanding and included in other creditors at the year end.

Santander hold a standard security, bond and floating charge over all of the assets of the company. There is also a cross guarantee between Clark Contracts (Group) Limited and Clark Contracts Limited in respect of a loan.

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

17. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	1,800,000	2,400,000	1,800,000	2,400,000
	<u>1,800,000</u>	<u>2,400,000</u>	<u>1,800,000</u>	<u>2,400,000</u>

18. Loans

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Bank loans	600,000	600,000	600,000	600,000
Amounts falling due 1-2 years				
Bank loans	600,000	600,000	600,000	600,000
Amounts falling due 2-5 years				
Bank loans	1,200,000	1,800,000	1,200,000	1,800,000
	<u>2,400,000</u>	<u>3,000,000</u>	<u>2,400,000</u>	<u>3,000,000</u>

Santander hold a standard security, bond and floating charge over all of the assets of the group. There is also a cross guarantee between Clark Contracts (Group) Limited and Clark Contracts Limited in respect of a loan.

The total value of secured loans is £2,400,000 (2017: £3,000,000).

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

19. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets measured at fair value through profit or loss	9,221,250	6,870,717	1,225	18,747
Financial assets that are debt instruments measured at amortised cost	10,351,560	12,855,744	-	-
	<u>19,572,810</u>	<u>19,726,461</u>	<u>1,225</u>	<u>18,747</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(20,346,661)	(21,273,567)	(6,366,319)	(6,308,199)

Financial assets comprise trade debtors, other debtors and amounts recoverable on contracts.

Financial liabilities comprise bank loans, trade creditors amounts payable on contracts, amounts due to group undertakings, other creditors and accruals. The group financial liabilities does not include the amounts due to group undertakings as these are removed on consolidation.

20. Deferred taxation

Group

	2018 £
At beginning of year	(68,374)
Charged to profit or loss	11,747
At end of year	<u>(56,627)</u>

The provision for deferred taxation is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	(56,627)	(68,374)
	<u>(56,627)</u>	<u>(68,374)</u>

CLARK CONTRACTS (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,000 Ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

Ordinary shares are not redeemable and have full voting and participation rights.

22. Reserves

Share premium account

The share premium account includes any premium received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Profit and loss account

The profit and loss account includes all current and prior year retained profits or losses.

23. Contingent liabilities

The group had entered into performance bonds, in the normal course of business. It is not possible to estimate the financial effect, timing or possibility of reimbursement of these bonds.

24. Commitments under operating leases

At 31 October 2018 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Other		
Not later than 1 year	223,955	272,001
Later than 1 year and not later than 5 years	140,907	414,580
	<u>364,862</u>	<u>686,581</u>

25. Related party transactions

A loan balance of £227,844 (2017: £227,844) is due from SBW Developments, a company related by virtue of common control, and included within other debtors. The loan balance due from SBW Developments has been provided for in full.

CLARK CONTRACTS (GROUP) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

26. Controlling party

The ultimate controlling party of the group is Gordon Cunningham, a director and majority shareholder.