Company registration number 00129834 (England and Wales)

WILLIAM BIRCH & SONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

WILLIAM BIRCH & SONS LIMITED

COMPANY INFORMATION

Directors	Mr P A Goyea Mr S T Potter Mrs G V Shahjahan Mr C W Birch Mr B Thomson
Company number	00129834
Registered office	Link Road Court Osbaldwick York North Yorkshire YO10 3JQ
Auditor	Henton & Co LLP 124 Acomb Road York YO24 4EY
Bankers	Barclays Bank Plc Parliament Street York YO1 8XD

WILLIAM BIRCH & SONS LIMITED

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WILLIAM BIRCH & SONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

Strategy and Objectives

The directors' objectives for the Company have been and remain to:

- Devise and implement strategies which enhance the protection of, and organically grow, shareholder assets
- Maintain focus on embedding the profitability of the construction operations
- Identify potential changes in market conditions and respond with strategies which capitalise on opportunities balanced by the necessary control of financial risk
- Continuing developing the skills and competencies of its employees to boost the scope and quality of the services provided by the company and to satisfy client requirements
- Align the business to support and meet the UK's targets and ambitions concerning net-zero and our sustainability obligations fur current and future generations

Operational structure

The business, headquartered in York, has historically combined several operations within one entity: construction, equipment, property development and property & farm estate management.

Within the construction operations there are sub-divisions of construction type: traditional one-off, framework, design & build, small building improvement and alteration works. The size range of construction projects within the Company's scope is £12 million down to £100,000 and the geographical range is centred on Yorkshire, extending into neighbouring counties. Institutional customers have predominantly been in the educational, health and local authority residential sectors; with heritage, leisure and a limited exposure on commercial projects featuring among the private and charitable sectors' workloads. The diversity in size, type and location of contracts undertaken allows the Company to maximise its usage of capacity and resources to smooth out fluctuations within differing pipelines of contract types.

The equipment hire operation functions as a cost neutral service for the benefit of the business's own construction sites. Investment in the equipment and vehicle fleet is undertaken where this will improve efficiency, commercial and environmental performance.

Whilst not a significant proportion of the business's activity, property development operations can boost turnover and have added a strong asset base, offering clients enhanced services on design and construction projects. This additional workload within our programming control also allows the directors to more effectively balance our resource availability to meet all customers' needs. A cash balance has always been maintained by the Company to allow speedy response where clients have an immediate need for premises to enhance their operations.

Market trends

The risk of, and noises around, a recession grew louder as mid-2022 approached with some senior economists pronouncing, in the proceeding months, the increasing risk of a technical recession. Uncertainty grew as to how a recession (say Q4/Q1 2023) would impact on our level of activity and client / Govt spending. Even at the latter part of 2022 the UK economic forecasts remained uncertain as to the significance of a 2023-24 recession and also whether this would be coupled with continued low or no growth; so heralding the 1970's phenomenon of 'stagflation'.

One current positive outlook is that the risks of recession and/or stagflation have all but dissipated in 2023. The roots of this change, in economic direction, can be seen, in part, in the Govt publishing, in autumn 2022, proposals for an energy price cap as the UK was poised for 4th Q contraction which was expected to extend through 2023.

From the low base, due to pandemic impacts. construction overall was reported to have grown 5.7% in 2022 leaving the industry 3.8% higher output than pre-pandemic levels. Though caution remained with the uncertainty of recession pushing December figures to being flat; potentially indicating a trend in 2023. Construction inflation gradually slowed through the year to drop below 10% in early 2023.

Market trends continued
Construction and in particular the sectors in which we largely operate did not recognise recessionary influences on our business; with construction growth forecasts at 2.5% and 2.0% for 2023 / 24 respectively.

We continued to enjoy consistent and healthy opportunities to bid for work. Readily having to decline when our bid team capacity could no longer ensure we would offer highly competent proposals that would reassure potential customers. General rising inflation impacted further on our customers and their advisors; with regularly their allocated budgets undershooting market offers; resulting in further extended post-bid negotiations to value-engineer customer expectations within their available funds.

Principal risks and uncertainties
The effects of the Covid-19 pandemic have now largely become historic with the only lasting evidence being the reduction in workforce. The company is currently working to boost employee numbers against the constraint of a shortage of skilled personnel in the industry.

Throughout the 2022 year Office for National Statistics (ONS) forecasts trended to show that, in general, small companies, such as our supply chain partners, were coming under increasing pressure with cash flow. We have also now seen, as the new year 2023 progresses, a slight trend of customers seeking to extend payment terms, by default. Both experiences are matters which we have continued to guard against throughout 2022 and to which we have strengthened our processes in 2023.

Though the threat of UK recession is virtually extinguished; the sentiment within main contractors remains that of a degree of uncertainty as to how 2023 will pan-out. This seems particularly influenced by the potential impact of supply chain insolvencies due to the cost of borrowing, increasing energy, fuel and raw material costs. The uncertainty is displayed, for instance, where some industry commentators have reported, though not widely, a 10yr high in construction business failures; and with our supply chain being vital delivery partners these scenarios can jeopardise project delivery and viability. Such downbeat assessment is countered when we see positive news from prominent industry publications forecasting, for 2nd half 2023, higher levels of construction activity for sectors within which we operate.

Overall tender price inflation (TPI) is also forecast to continue this lower trend dropping to 3.5% in 2023 and onto 2.5% in 2024. The main sectors in which we operate indicate a higher TPI with 5.5 % over 2023 and reducing slightly to 5.0 % through 2024; partly fuelled by the government's recommitment to infrastructure spending including projects such as Sizewell C and HS2.

A slight fall in construction demand, as the alternative to recession, should allow tender price inflation to ease back from the high levels seen in 2022 and hopefully offer savings on bids submitted 2022 but largely delivered in 2023. Nevertheless, other threats such as contractor insolvency, the loss of skilled labour, or, continued low UK general productivity make construction outlook difficult to read and not entirely rosy.

It is however offering measured reassurance, to the business and its employees, that we achieved our highest secured turnover at the start of 2023 with work leading into Q1 of 2025.

Development and performance
2022 saw a welcome rebuilding of the Company's financial performance on the back of construction operations eliminating unprofitable contracts and generally bettering tender margins.

Interestingly, profitability increased despite a reduction in turnover. Fortunately, the company's overheads having been reduced during the pandemic were in line with this reduced workload.

This constrained turnover was as a result of client hesitancy in putting contracts out to tender against a backdrop of rapidly increasing interest rates and wildly fluctuating material prices.

The most encouraging legacy of 2022 has been the autumn period of very successful tendering activity leading to a greatly increased forward workload. £20 million of turnover has been carried forward into 2023 and a further £4 million into 2024.

As mentioned earlier the Company is trying to increase its workforce against stiff competition. In order to boost both retention and recruitment of employees, it appreciates that it must establish itself as an attractive place to work. To that end the business has embarked on an employee consultation and engagement process running through 2023 and beyond.

Development and performance continued
The Company's property has remained well occupied through the last year and has even seen a reduction in vacancies especially in industrial property. Not surprisingly retail and commercial remained in low demand; though pleasingly we reached full tenancy at our Northallerton industrial development.

Key performance indicators

- While turnover reduced on previous years the expenditure was well controlled to lead to positive and increased margins for both the group and its main subsidiary
- The estimating department has increased access to construction frameworks, maintained a strong enquiry pipeline and boosted tender successes
- Construction managers have achieved improvements in planning, programming, delivering high quality product first time and waste reduction; leading to raised site margins. The elimination of loss-making contracts will remain a primary objective
- Surveyors have been alert to and concentrated on proactively preventing disadvantageous commercial situations from developing
- Property vacancies have been kept low and new and reviewed leases have seen a significant uplift in rental levels.
- The business's cash balance while positive has reduced but is strengthening again with the improved commercial performance.

Financial performance Indicators for the Company are:

	2022	2021
Turnover	£18.9m	£20.8m
Profit before tax	£492k	£(449)k
Net assets at year end	£8.1m	£7.5m

Other information and explanations
We continue to improve and expand our PR, social media and communications profile to engage more proactively with customers and our local community alike.

William Birch & Sons Ltd continues to be accredited for its Environmental Management Systems under BS EN ISO 14,001:2015 and for its Quality Assurance under BS EN ISO 9001:2015. The Company is now also committed to Net Zero Carbon by 2050 and is implementing a Carbon Reduction Plan.

William Birch & Sons Ltd's safety procedures continue to be accredited annually under the industry recognised CHAS safety assessment scheme.

On behalf of the board

Mr C W Birch
Director

24 May 2023

WILLIAM BIRCH & SONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities
The principal activity of the Company continued to be that of construction.

Results and dividends
The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr P A Goyea
Mr S T Potter
Mrs G V Shahjahan
Mr C W Birch
Mr B Thomson

In accordance with the company's Articles of Association the Directors are not required to retire by rotation.

Auditor
In accordance with the company's articles, a resolution proposing that Henton & Co LLP be reappointed as auditor of the company will be put at a General Meeting.

Strategic report
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr C W Birch
Director

24 May 2023

WILLIAM BIRCH & SONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WILLIAM BIRCH & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WILLIAM BIRCH & SONS LIMITED

Opinion
We have audited the financial statements of William Birch & Sons Limited (the 'company') for the year ended 31 December 2022 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 company's affairs as at 31 December 2022 and of its 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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, 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- Enquiry of management and those charged with governance around actual and potential litigation and claims.
- Enquiry of entity staff to identify any instances of non-compliance with laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This 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 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.

Brett Davis
Senior Statutory Auditor
For and on behalf of Henton & Co LLP

24 May 2023

Chartered Accountants
Statutory Auditor

124 Acomb Road
York
YO24 4EY

WILLIAM BIRCH & SONS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Revenue	**3**		18,982,682		20,794,535
Raw materials and consumables		(598,868)		(859,781)	
Other external charges		(15,045,217)		(17,356,733)	
			(15,644,085)		(18,216,514)
			3,338,597		2,578,021
Staff costs		(2,396,481)		(2,613,862)	
Depreciation and amortisation		(83,538)		(79,970)	
Other operating charges		(557,646)		(543,645)	
Other operating income		-		48,476	
			(3,037,665)		(3,189,001)
Operating profit/(loss)	**4**		300,932		(610,980)
Investment income	**8**		12,729		1,562
Fair value gains/(losses) on investment properties	**9**		178,100		110,000
Profit/(loss) before taxation			491,761		(499,418)
Taxation	**10**		98,678		121,719
Profit/(loss) for the financial year	**18**		590,439		(377,699)
Total comprehensive income for the year			590,439		(377,699)

The income statement has been prepared on the basis that all operations are continuing operations.

WILLIAM BIRCH & SONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£	£
Profit/(loss) for the year	590,439	(377,699)
Other comprehensive income	-	-
Total comprehensive income for the year	590,439	(377,699)

WILLIAM BIRCH & SONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	**£**	**£**	**£**	**£**
Non-current assets					
Property, plant and equipment	**11**		1,468,563		1,464,838
Investment property	**12**		6,343,000		6,164,900
			7,811,563		7,629,738
Current assets					
Inventories	**13**	1,423,580		664,731	
Trade and other receivables	**14**	2,292,132		1,625,429	
Cash and cash equivalents		1,184,349		2,746,646	
		4,900,061		5,036,806	
Current liabilities	**15**	(4,581,446)		(5,126,805)	
Net current assets/(liabilities)			318,615		(89,999)
Net assets			8,130,178		7,539,739
Equity					
Called up share capital	**17**		50,000		50,000
Retained earnings	**18**		8,080,178		7,489,739
Total equity			8,130,178		7,539,739

The financial statements were approved by the board of directors and authorised for issue on 24 May 2023 and are signed on its behalf by:

Mr C W Birch
Director

Company Registration No. 00129834

WILLIAM BIRCH & SONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2021	50,000	7,867,438	7,917,438
Year ended 31 December 2021:			
Loss and total comprehensive income for the year	-	(377,699)	(377,699)
Balance at 31 December 2021	50,000	7,489,739	7,539,739
Year ended 31 December 2022:			
Profit and total comprehensive income for the year	-	590,439	590,439
Balance at 31 December 2022	50,000	8,080,178	8,130,178

WILLIAM BIRCH & SONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Cash flows from operating activities					
Cash absorbed by operations	**21**		(1,586,401)		(696,620)
Income taxes refunded			98,638		70,893
Net cash outflow from operating activities			(1,487,763)		(625,727)
Investing activities					
Purchase of property, plant and equipment		(87,263)		(21,215)	
Proceeds from disposal of property, plant and equipment		-		32,500	
Proceeds from disposal of investment property		-		24,100	
Interest received		12,729		1,562	
Net cash (used in)/generated from investing activities			(74,534)		36,947
Net decrease in cash and cash equivalents			(1,562,297)		(588,780)
Cash and cash equivalents at beginning of year			2,746,646		3,335,426
Cash and cash equivalents at end of year			1,184,349		2,746,646

1 Accounting policies

Company information

William Birch & Sons Limited is a private company limited by shares incorporated in England and Wales. The registered office is Link Road Court, Osbaldwick, York, North Yorkshire, YO10 3JQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT.

Revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

Income from investment properties is recognised in the period in which the rents are due.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	by equal annual installments (typically over 50 years). No depreciation is provided on freehold land except where the land is included with other depreciable property and the cost of land is not identifiable
Leasehold land and buildings	by equal annual installments over the life of the lease or typically 50 years if less.
Plant and machinery	principally 5-10 years.
Fixtures, fittings & equipment	principally 3-10 years.
Motor vehicles	principally 5-10 years.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1 Accounting policies **(Continued)**

1.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.6 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

1 Accounting policies **(Continued)**

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Revenue

An analysis of the company's revenue is as follows:

	2022	2021
	£	£
Revenue analysed by class of business		
Construction	18,537,330	20,405,322

	2022	2021
	£	£
Other revenue		
Interest income	12,729	1,562
Grants received	-	48,476
Rental income arising from investment properties	400,952	344,813
Management charges	44,400	44,400

4 Operating profit/(loss)

	2022	2021
Operating profit/(loss) for the year is stated after charging/(crediting):	£	£
Government grants	-	(48,476)
Depreciation of owned property, plant and equipment	83,538	79,970
Profit on disposal of property, plant and equipment	-	(25,350)

5 Auditor's remuneration

	2022	2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	11,000	10,500

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Site based staff	25	28
Managerial, technical and administration staff	25	27
Total	50	55

6 Employees (Continued)

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	1,953,003	2,221,959
Social security costs	279,162	275,576
Pension costs	109,333	102,322
	2,341,498	2,599,857

7 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	392,036	352,859
Company pension contributions to defined contribution schemes	24,912	23,004
	416,948	375,863

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2021 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remuneration for qualifying services	102,211	92,908
Company pension contributions to defined contribution schemes	7,106	6,283

8 Investment income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	12,689	1,562
Other interest income	40	-
Total income	12,729	1,562

	2022	2021
Investment income includes the following:	£	£
Interest on financial assets not measured at fair value through profit or loss	12,689	1,562

9 Other gains and losses

	2022	2021
	£	£
Fair value gains/(losses) on financial instruments		
Gain on financial assets held at fair value through profit or loss	178,100	110,000

10 Taxation

	2022	2021
	£	£
Current tax		
Adjustments in respect of prior periods	(98,678)	(121,719)

The actual credit for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit/(loss) before taxation	491,761	(499,418)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	93,435	(94,889)
Tax effect of expenses that are not deductible in determining taxable profit	674	-
Tax effect of utilisation of tax losses not previously recognised	(79,142)	-
Unutilised tax losses carried forward	-	63,500
Adjustments in respect of prior years	(3,162)	-
Group relief	23,440	42,916
Research and development tax credit	(98,678)	(121,719)
Capital allowances	(17,278)	(1,005)
Depreciation	15,872	10,378
Adjustment in respect of investment proprety fair value decrease	(33,839)	(20,900)
Taxation credit for the year	(98,678)	(121,719)

The company has tax losses of £1,377,327 to offset against future profits. A deferred tax asset has not been recognised in relation to these losses.

11 Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2022	1,865,489	223,117	124,548	490,633	603,192	3,306,979
Additions	-	-	2,256	85,007	-	87,263
At 31 December 2022	1,865,489	223,117	126,804	575,640	603,192	3,394,242
Depreciation and impairment						
At 1 January 2022	636,969	106,471	106,789	483,045	508,867	1,842,141
Depreciation charged in the year	31,556	6,262	4,307	5,611	35,802	83,538
At 31 December 2022	668,525	112,733	111,096	488,656	544,669	1,925,679
Carrying amount						
At 31 December 2022	1,196,964	110,384	15,708	86,984	58,523	1,468,563
At 31 December 2021	1,228,520	116,646	17,759	7,588	94,325	1,464,838

12 Investment property

	2022
	£
Fair value	
At 1 January 2022	6,164,900
Net gains or losses through fair value adjustments	178,100
At 31 December 2022	6,343,000

Investment properties comprises a varied portfolio of land and properties. The fair value of the investment properties has been arrived at on the basis of a valuation carried out at 31 December 2022 by the Directors of the Company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2022	2021
	£	£
Cost	5,644,324	5,644,324
Accumulated depreciation	(844,712)	(759,721)
Carrying amount	4,799,612	4,884,603

13 Inventories

	2022	2021
	£	£
Raw materials and consumables	8,193	6,667
Work in progress	9,699,501	23,425,414
Payments received on account	(8,284,114)	(22,767,350)
	1,423,580	664,731

14 Trade and other receivables

	2022	2021
Amounts falling due within one year:	£	£
Trade receivables	193,006	77,083
Gross amounts owed by contract customers	1,673,641	1,274,518
Corporation tax recoverable	50,866	50,826
Amounts owed by group undertakings	276,550	140,816
Other receivables	5,321	5,000
Prepayments and accrued income	92,748	77,186
	2,292,132	1,625,429

15 Current liabilities

	2022	2021
	£	£
Trade payables	3,508,251	4,075,790
Amounts owed to group undertakings	77,312	-
Taxation and social security	586,161	719,608
Other payables	188,164	175,882
Accruals and deferred income	221,558	155,525
	4,581,446	5,126,805

16 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	109,333	102,322

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary Shares of £1 each	50,000	50,000	50,000	50,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

18 Retained earnings

	2022	2021
	£	£
At the beginning of the year	7,489,739	7,867,438
Profit/(loss) for the year	590,439	(377,699)
At the end of the year	8,080,178	7,489,739

This reserve records retained earnings and accumulated losses.

Included within retained earnings are non-distributable profits, as set out below:

	2022	2021
	£	£
Non-distributable profits included above		
At the beginning of the year	520,576	410,576
Non distributable profits in the year	178,100	110,000
At the end of the year	698,676	520,576
Distributable profits	7,381,502	6,969,163

19 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	7,669	9,939
Between two and five years	8,724	2,916
	16,393	12,855

19 Operating lease commitments **(Continued)**

Lessor

The operating leases represent property leases to third parties. The leases are negotiated over terms of 3 to 10 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting end date the company had contracted with tenants for the following minimum annual lease payments:

	2022	2021
	£	£
Within one year	380,195	415,717
Between two and five years	932,350	832,208
In over five years	402,479	403,308
	1,715,024	1,651,233

20 Ultimate controlling party

The parent company of this undertaking is William Birch Holdings Limited, a company registered in England and Wales. William Birch Holdings Limited is both the largest and smallest group for which group accounts are drawn up and of which the company is a member. The registered office of William Birch Holdings Limited is 1 Link Road Court, Osbaldwick, York, YO10 3JQ.

21 Cash absorbed by operations

	2022	2021
	£	£
Profit/(loss) for the year after tax	590,439	(377,699)
Adjustments for:		
Taxation credited	(98,678)	(121,719)
Investment income	(12,729)	(1,562)
Gain on disposal of property, plant and equipment	-	(25,350)
Depreciation and impairment of property, plant and equipment	83,538	79,970
Other gains and losses	(178,100)	(110,000)
Movements in working capital:		
Increase in inventories	(758,849)	(398,082)
(Increase)/decrease in trade and other receivables	(666,663)	939,402
Decrease in trade and other payables	(545,359)	(681,580)
Cash absorbed by operations	(1,586,401)	(696,620)

22 Analysis of changes in net funds

	1 January 2022	Cash flows	31 December 2022
	£	£	£
Cash at bank and in hand	2,746,646	(1,562,297)	1,184,349