Financial statements

Pochin Construction Limited

For the year ended 28 February 2018

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COMPANIES HOUSE

Company No. 396388

Company information

Company number	396388
Registered office	Brooks Lane Middlewich Cheshire CW10 0JQ
Directors	J H Adams R M Hatton J W P Nicholson R Fildes N K Rawlings R K H Nicholson E Bredenhann
Company secretary	N K Rawlings
Bankers	The Royal Bank of Scotland plc 1 Hardman Boulevard Manchester M3 3AQ
Solicitors	Weightmans LLP Pall Mall Court 61-67 King Street Manchester M2 4PD
Independent auditors	PricewaterhouseCoopers LLP No.1 Spinningfields Hardman Square Manchester M3 3EB

Pochin Construction Limited
Financial statements for the year ended 28 February 2018

Strategic report

The directors present their strategic report on the company for the year ended 28 February 2018.

Principal activities

The principal activity of the company during the year was construction.

Review of the business

While the business has continued to deliver profits from most of its operations in the principal areas of Northwest England and North Wales, it has provided for a sizeable loss on principally one contract in Manchester. The contract has now been completed and a substantial claim has been compiled against the architect on the contract given significant design failings. Also the final account has yet to be agreed with the client. Following independent advice from experts, it is expected to recover a significant sum. Credit for successful claims will be accounted for in the results for the year ending 28 February 2018. The business benefits from a strong order book and its established position as a well-regarded regional construction business with a reputation established over 80 years for quality and service.

The accompanying financial statements to 28 February 2018 show £50.5m of turnover and £6.2m loss after tax for the year.

Since the year end a new Managing Director, Jon Adams, has been appointed to the business and changes made to ensure that we do not have inappropriate professional teams imposed upon us on other contracts, along with a host of other measures to restore sustained profitability to the business.

Contracting risk

The principal risk and uncertainty is contracting risk. Whilst the majority of construction contracts are now profitable, there remain risks that subcontract costs may outstrip employer contract price increases, design issues arise on site, or other issues impair construction contract profitably. To manage the risk of supply chain failure all subcontractors are vetted rigorously to ensure they meet group safety standards. Also, the company only works with subcontractors who constantly meet group standards and the financial health of subcontractors is monitored regularly and payment is made on a timely basis to ensure viability is maintained.

Financial risk management

The company uses various financial instruments; these include cash and various items such as trade debtors and trade creditors that arise directly from operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

Credit risk

The effects of credit risk are controlled as the company has implemented policies that require appropriate credit checks on potential customers before contracts are entered into. The amount of exposure to any individual counterparty is subject to a limit which is reassessed by the board. The board receives regular reports on amounts due and amounts significantly overdue and the relevant action taken.

Strategic report

Future developments

The company is aiming to maintain a sustainably profitable contracting business focussed on its core territory of North West England and North Wales.

Key performance indicators ("KPIs")

The company's strategy is one of steady growth with improved profitability. The directors monitor progress against this strategy by reference to a number of KPI's.

Performance for the year, together with comparative date for the previous year is set out in the table below:

	Year ended 28 February 2018	**Year ended 28 February 2017**	
(Loss)/profit before tax for the year	(£6.3m)	£0.5m	An unsatisfactory performance albeit largely deriving from one bad contract.
Accident incident rate	707	1,200	The overall Accident Incident Rate (AIR) for the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) has decreased. This is being monitored rigorously and initiatives progressed to continue this satisfactory trend.

At the end of the year, the company had £0.1m (2017: £6.4m) in net assets.

On behalf of the board

J W P Nicholson
Director
15 January 2019

Directors' report

The directors present their report together with the audited financial statements for the year ended 28 February 2018.

Future developments

An indication of the likely future developments of the business is included in the Strategic Report on page 4.

Charitable and political donations

No charitable donations were made during the year (2017: £nil). No political donations were made during the year (2017: £nil).

Results and dividends

There was a loss before taxation for the financial year amounting to £6,274,583 (2017: £478,431 profit). No interim dividend was declared during the year (2017: £nil) and the directors recommend no final dividend (2017: £nil). The total dividend for the year is therefore £nil (2017: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

J H Adams (appointed 21 June 2018)
R M Hatton
J C Alexander (resigned 31 August 2018)
J W P Nicholson
R Fildes
N K Rawlings
R K H Nicholson
E Bredenhann

All directors served throughout the year unless otherwise indicated.

Financial risk management

Financial risk management is described in the Strategic report on page 3.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

Directors' report

Statement of disclosure of information to auditors

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

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he/she should have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' indemnities

The company maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

Disabled employees

It is company policy to give full and fair consideration to the employment of disabled persons where they have the necessary abilities and skills for the position, and wherever possible the company continues to employ persons who become disabled whilst they are with the company. The company ensures that training, career development, and promotion opportunities for disabled persons are, as far as possible, identical to those of other employees who are not disabled.

Employee consultation

Information about the company and factors affecting its performance is provided to employees via Pochinet, the company's corporate intranet. A variety of approaches are adopted, aimed at encouraging the involvement of employees in effective communication and consultation, and the contribution of productive ideas at all levels. This includes a communications group in addition to the several steering committees established to promote and implement company strategy through improvements in working practices.

The establishment and maintenance of safe working practices are of the greatest importance to the company and special training in health and safety is provided for employees. The company has produced health and safety policies to cover all aspects of its activities and the executive management and directors monitor adherence to these policies. Regular reports are fed back to the board who have ultimate responsibility for health and safety throughout the company.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors and signed by order of the board:

J W P Nicholson
Director
15 January 2019

Independent auditors' report to the members of Pochin Construction Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pochin Construction Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial statements (the "Annual Report"), which comprise: the balance sheet as at 28 February 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Pochin Construction Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 28 February 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Ian Marsden (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
15 January 2019

Profit and loss account

For the year ended 28 February 2018

	Note	For the year ended 28 February 2018 £	For the year ended 28 February 2017 £
Turnover	2	**50,472,560**	63,063,276
Cost of sales		**(56,213,552)**	(60,305,672)
Gross (loss)/profit		**(5.740,992)**	2,757,604
Operating expenses	3	**(533,591)**	(2,279,173)
(Loss)/profit before taxation	2	**(6,274,583)**	478,431
Tax on (loss)/profit	6	**-**	199,491
(Loss)/profit for the financial year		**(6,274,583)**	677,922

There is no other comprehensive income or losses other than those included above.

All of the company's principal activities are classed as continuing.

Balance sheet

As at 28 February 2018

	Note	28 February 2018 £	28 February 2017 £
Fixed assets			
Tangible assets	7	**200,911**	233,964
Investments	8	**40,002**	40,002
Deferred tax assets	12	**637,491**	637,491
		878,404	911,457
Current assets			
Inventories	9	**35,204**	34,954
Debtors: amounts failing due within one year	10	**23,954,860**	22,261,351
Debtors: amounts falling due after more than one year	11	**1,015,007**	934,882
Cash at bank and in hand		**865,015**	26,925
		25,870,086	23,258,112
Creditors: amounts falling due within one year	13	**(26,609,837)**	(17,756,333)
Net current (liabilities) / assets		**(739,751)**	5,501,779
Total assets less current liabilities		**138,653**	6,413,236
Net assets		**138,653**	6,413,236
Capital and reserves			
Called up share capital	15	**6,553,500**	6,553,500
Share premium account		**80,425**	80,425
Other reserves		**20,000**	20,000
Profit and loss account		**(6,515,272)**	(240,689)
Total Shareholders' funds		**138,653**	6,413,236

The financial statements on pages 9 to 24 were approved and authorised for issue by the Board of Directors on 15 January 2019 and signed on its behalf by:

J W P Nicholson
Director
15 January 2019

Statement of changes in equity

For the year ended 28 February 2018

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total Shareholders' funds £
At 1 March 2016	6,553,500	80,425	20,000	(918,611)	5,735,314
Profit for the financial year and total comprehensive income	-	-	-	677,922	677,922
At 28 February 2017	6,553,500	80,425	20,000	(240,689)	6,413,236
Loss for the financial year and total comprehensive expense	-	-	-	(6,274,583)	(6,274,583)
At 28 February 2018	**6,553,500**	**80,425**	**20,000**	**(6,515,272)**	**138,653**

Notes to the financial statements

1 **General information**

Statement of compliance

The financial statements of Pochin Construction Limited, a company incorporated in England and Wales, have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Going concern

The financial statements have been prepared on a going concern basis. The continuation of the company's activities is dependent upon the continuing support of its immediate parent company, Pochin's Limited. Pochin's Limited has steadily reduced its borrowings substantially in recent years.

Whilst current economic conditions continue to create uncertainty, the forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current loan facilities. On this basis and after making enquiries, the directors have a reasonable expectation that the company and the parent company has adequate resources to continue in operational existence for the foreseeable future, develop its property portfolio and advance its agreed business plan. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Subsequent to the year end, the group's term loan from the Royal Bank of Scotland plc was increased to £10.0m.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and significant judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates and judgements.

Critical estimates:

(i) assessment of stage of completion of contracts – in assessing the allocation of revenues and costs to accounting periods, and the consequential assets and liabilities, the company reviews the stage of completion as assessed by the contract surveyor and the forecast outturn of the project.

(ii) Impairment reviews are completed based on value in use calculations determined using anticipated future cash flows and discount rates. In assessing potential impairments required the company considers the forecast outcome of projects.

Notes to the financial statements

1 General information (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions.

Cash flow statement and related party disclosures

The company is included in the consolidated financial statements of Pochin's Limited. Consequently, as the company is a 100% owned subsidiary, the company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its immediate parent company, Pochin's Limited, includes the company's cash flows in its own consolidated financial statements. The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with other wholly owned members of the group headed by Pochin's Limited.

Consolidation

The company is exempt from preparing consolidated financial statements under Section 400 of the Companies Act 2006. The results of this company are included in the consolidated financial statements of Pochin's Limited, a company registered in England and Wales. The financial statements present information about the company as an individual undertaking, and not about its group.

Turnover

Turnover, which excludes value added tax, comprises the total estimated value of construction work executed during the year.

Contract turnover reflects the contract activity during the year and is measured based on the consideration receivable. When the outcome can be reliably assessed, contract turnover and associated costs are recognised as turnover and cost of sales respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by reference to work done, measured by qualified quantity surveyors.

Long-term contracts

Contract revenue reflects the contract activity during the year and is measured at the fair value of consideration received or receivable. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by reference to work done, measured by qualified quantity surveyors.

Where the outcome of a long term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

In the case of a fixed price contract, the outcome of a construction contract is deemed to be estimated reliably when all the following conditions are satisfied:

- total contract revenue can be measured reliably;
- it is probable that economic benefits associated with the contract with flow to the company;
- both the costs to complete the contract and the stage of completion at the balance sheet date can be measured reliably; and
- the costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the company, and the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

The gross amount due from customers for contract work is presented as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amounts due to customers for contract work is presented as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less losses).

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Notes to the financial statements

1 General information (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

The cost of fixed assets is their purchase cost, together with any identical costs of acquisition.

Depreciation

Depreciation is calculated to write down the cost, less estimated residual value of tangible fixed assets, in equal annual instalments over the estimated useful lives. The periods generally applicable are:

Computer and office equipment	-	3-5 years straight line
Plant and machinery	-	3-10 years straight line

Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of timing differences.

Investments

All investments are recorded at cost less any provision for impairment.

Leased assets

Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of ordinarily interchangeable items are assigned using the first in, first out formula.

Notes to the financial statements

1 **General information (continued)**

Hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company's and hire purchase contracts being capitalised in the balance sheet are depreciated over their useful lives. The capital elements of future obligations under the hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Contributions to pension fund

Defined benefit scheme

The company participates in a defined benefit scheme but is unable to identify its share of underlying assets and liabilities. The pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period. Further information on the deficit in the scheme is given in note 5.

Defined contribution scheme

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Financial instruments
The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 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.

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 publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements

1 General information (continued)

Financial instruments (continued)

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 receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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.

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 income as appropriate.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

2 Turnover and (loss)/profit before taxation

Turnover and (loss)/profit before taxation are attributable to the one principal activity of the company which is carried out in a single geographic market in the United Kingdom.

The profit before taxation is stated after charging/(crediting):

	For the year ended 28 February 2018	For the year ended 28 February 2017
	£	£
Auditors' remuneration:		
- Audit services	**23,690**	23,000
- Non audit services – other	**1,200**	1,200
Operating lease		
- Plant and machinery	**156,959**	130,077
Depreciation:		
- Owned assets	**33,053**	36,154
- Assets on hire purchase	**-**	3,667

3 Operating Expenses

	For the year ended 28 February 2018	For the year ended 28 February 2017
	£	£
Distribution costs	**11,078**	8,408
Administration expenses	**522,513**	2,270,765
	533,591	2,279,173

Administration expenses include a recharge of group costs of £2,715,000 (2017: £737,000).

Notes to the financial statements

4. Directors and employees

Staff costs during the year were as follows:

	For the year ended 28 February 2018 £	For the year ended 28 February 2017 £
Wages and salaries	5,047,406	5,098,922
Social security costs	561,501	545,111
Other pension costs (note 5)	191,055	187,447
	5,799,962	5,831,480

Monthly average number of persons employed by the company during the year:

	For the year ended 28 February 2018 Number	For the year ended 28 February 2017 Number
Operatives	80	76
Administration	19	20
	99	96

Remuneration in respect of directors was as follows:

	For the year ended 28 February 2018 £	For the year ended 28 February 2017 £
Emoluments	330,135	318,068
Value of company contributions to personal pension	24,769	24,453
Aggregate emoluments	354,904	342,521

Notes to the financial statements

4. Directors and employees (continued)

During the year no directors (2017: no directors) participated in a defined benefit pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	For the year ended 28 February 2018 £	For the year ended 28 February 2017 £
Aggregate emoluments	**115,725**	113,411
Value of company contributions to personal pension	**9,534**	9,321
	125,259	122,732

The highest paid director's accrued pension at the year-end was £nil (2017: £nil).

5. Pension costs

The company participates in a defined benefit scheme and a defined contribution scheme operated on a group basis.

On 1 February 2015, the company ceased contributions to the defined contribution scheme and all members were transferred out to other arrangements. During the year the company made pension contributions to B&CE and private pension schemes totalling £191,055 (2017: £187,447).

The defined benefit scheme was closed to new members on 31 December 2001 and closed to future accruals on 31 December 2009. The assets of the plan are held separately from those of the company, being invested in an exempt unit fund through an investment manager. Contributions to the plan are determined by an independent qualified actuary and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group as a whole. Details of the latest actuarial valuation of the plan as at 30 June 2017, which have been adjusted and updated on an approximate basis to 28 February 2018, are disclosed in the financial statements of Pochin's Limited.

There is a multi-employer defined benefit scheme that is being accounted for as a defined contribution scheme in the company financial statements. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Details of the scheme and deficit are included within the financial statements of Pochin's Limited.

The pension charge for the defined benefit scheme for the year was £nil (2017: £nil).

Notes to the financial statements

6. **Tax on profit**

(a) **Analysis of credit in the year**

	For the year ended 28 February 2018 £	For the year ended 28 February 2017 £
Current taxation		
Deferred tax (note 12)	-	(199,491)
	-	(199,491)

(b) **Factors affecting the tax credit in the year**

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 20% (2017: 20%).

The differences are explained below:

	For the year ended 28 February 2018 £	For the year ended 28 February 2017 £
(Loss)/profit before taxation	(6,274,583)	478,431
(Loss)/profit before taxation multiplied by standard rate of Corporation tax in the UK of 19.08% (2017: 20%)	(1,197,500)	95,686
Effects of:		
Expenses not deductible for tax purposes	-	28,975
Impact on changes in tax rates	130,821	108,939
Deferred tax not recognised	1,066,679	(433,091)
Total tax credit for the year	-	(199,491)

Notes to the financial statements

7. Tangible assets

	Computer and office equipment £	Plant and machinery £	Total £
Cost			
At 1 March 2017	1,250,320	2,038,276	3,288,596
Disposals	-	(73,368)	(73,368)
At 28 February 2018	**1,250,320**	**1,964,908**	**3,215,228**
Accumulated depreciation			
At 1 March 2017	1,239,752	1,814,880	3,054,632
Provided in the year	2,289	30,764	33,053
Disposals	-	(73,368)	(73,368)
At 28 February 2018	**1,242,041**	**1,772,276**	**3,014,317**
Net book value at 28 February 2018	**8,279**	**192,632**	**200,911**
Net book value at 29 February 2017	10,568	223,396	233,964

Included within plant and machinery are assets held under hire purchase contracts with a net book value of £nil (2017: £2,444). Depreciation charges on those assets during the year amounted to £nil (2017: £3,667).

8. Investments

	£
Shares at cost	
At 28 February 2017 and 28 February 2018	**40,002**

At 28 February 2018 the company held allotted ordinary share capital of the following subsidiary that is incorporated in England and Wales:

Subsidiary undertakings	Proportion %	Nature of business	Net assets £
Pochin (Wales) Limited	50	Dormant	2

Pochin (Wales) Limited has a registered address at Brooks Lane, Middlewich, Cheshire CW10 0JQ. The directors believe that the carrying value of the investments is supported by their underlying net assets.

9. Inventories

	28 February 2018 £	28 February 2017 £
Raw materials, consumables and finished products	**35,204**	34,954

The replacement cost of inventories is considered not to be materially different from the values included on the previous page.

Notes to the financial statements

10 Debtors: amounts falling due within one year

	28 February 2018 £	28 February 2017 £
Amounts owed by group undertakings	11,878,601	7,873,561
Amounts recoverable under long-term contracts due within one year	6,746,042	7,758,171
Long-term contract work in progress	4,095,338	5,554,216
Other debtors	101,191	67,404
VAT debtor	775,495	942,011
Prepayments and accrued income	358,193	65,988
	23,954,860	22,261,351

The amounts owed by group undertakings are unsecured, repayable on demand and do not bear interest.

11 Debtors: amounts falling due after more than one year

	28 February 2018 £	29 February 2017 £
Amounts recoverable under long-term contracts due after more than one year	1,015,007	934,882

The directors consider the carrying amount of debtors to approximate to their fair value due to their short term nature.

12 Deferred tax assets

The movement in the deferred taxation account during the year was:

	28 February 2018 £	28 February 2017 £
Balance brought forward	637,491	438,000
Movement in the year	-	199,491
Balance carried forward	637,491	637,491

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

	28 February 2018 £	28 February 2017 £
Accelerated capital allowances	(20,048)	(22,845)
Tax losses	657,539	660,336
	637,491	637,491

Unrelieved tax losses of £12,149,613 (2017: £5,897,405) remain available to offset against future taxable trading profits. There is a potential deferred tax asset of £2,065,434 (2017: £1,002,559) which has not been recognised in the financial statements in respect of these trade losses carried forward.

Notes to the financial statements

13 **Creditors: amounts falling due within one year**

	28 February 2018 £	28 February 2017 £
Trade creditors	9,420,944	8,758,233
Other creditors	-	1,546
Other taxation and social security	51,053	14,564
Amounts due under hire purchase agreements	-	2,429
Accruals and deferred income	17,137,840	8,979,561
	26,609,837	17,756,333

The directors consider the carrying amount of creditors to approximate to their fair value due to their short term nature.

14 **Commitments under hire purchase agreements**

Future commitments under hire purchase agreements net of future charges are as follows:

	28 February 2018 £	28 February 2017 £
Amounts payable within one year	-	2,429

Amounts due under hire purchase agreements are secured on the assets to which they relate.

15 **Called up share capital**

	28 February 2018 £	28 February 2017 £
Allotted, called up and fully paid		
6,553,500 (2017: 6,553,500) ordinary shares of £1 each	6,553,500	6,553,500

16 ***Capital commitments***

The company had no capital commitments at 28 February 2018 or 28 February 2017.

17 **Contingent liabilities**

Across the group there is a composite cross guarantee arrangement, to which the company is party, in respect of group overdrafts and bank loans. At 28 February 2018 this amounted to £5,439,000 (2017: £10,398,000), which is recognised as debt and positive bank balances in the following companies:

- Pochin's Limited £7,824,000 credit (2017: £10,498,000 credit).
- Pochin Residential Limited £250,000 debit (2017: £7,000 debit).
- Pochin Developments Limited £1,233,000 debit (2017: £1,000 debit).
- Pochin Construction Limited £865,000 debit (2017: £27,000 debit).
- Trinity Court Developments Limited £8,000 debit (2017: £15,000 debit).
- Pochin Land & Development Limited £8,000 debit (2017: £10,000 debit).
- Pochin Gateway Commercial Limited £17,000 debit (2017: £5,000 debit).
- UKLP (BrynCegin) Limited £2,000 debit (2017: £2,000 debit).
- Hawarden Business Park Limited £2,000 debit (2017: £33,000 debit).

The group investment loan facility is £7,862,000 (2017: £10,314,200), all of which is drawn and included within the above amounts.

Notes to the financial statements

18 Operating lease commitments

Annual minimum lease payments due under operating leases to which the company was committed were as follows:

	Plant, machinery and vehicles	
	28 February 2018	28 February 2017
	£	£
Leases due to expire		
Within one year	**219,075**	82,707
Within two to five years	**185,229**	230,481
	404,304	313,188

19 Related party transactions

During the year the company carried out work valued at £7,080,000 in connection with the construction of an office building in Crewe, Cheshire for Pochin Developments Limited, a subsidiary company of Pochin's Limited with a registered office at Brooks Lane, Middlewich, Cheshire, CW10 0JQ. Included in amounts owed by group undertakings (note 10) is a balance due from Pochin Developments Limited at 28 February 2018 of £nil (2017: £nil).

During the year the company also carried out work valued at £136,000 in connection with the construction of a carriageway in Middlewich, Cheshire for Pochin Developments Limited. Included in amounts owed by group undertakings (note 10) is a balance due from Pochin Developments Limited at 28 February 2018 of £nil (2017: £nil).

During the year ended 28 February 2017 the company carried out work valued at £1,851,000 in connection with the construction of a warehouse and office development in Middlewich, Cheshire for Pochin Land & Developments Limited, a subsidiary company of Pochin's Limited with a registered office at Brooks Lane, Middlewich, Cheshire, CW10 0JQ. Included in amounts owed by group undertakings (note 10) is a balance due from Pochin Land & Developments Limited at 28 February 2018 of £nil (2017: £1,154,000).

20 Ultimate parent undertaking

The directors consider that the immediate parent undertaking of this company is Pochin's Limited, a company incorporated in England and Wales. The ultimate parent company is Middlewich Limited, a company incorporated in England and Wales. Kettley International Limited, a company incorporated in the British Virgin Islands, is the company's ultimate controlling related party.

The largest group of undertakings for which group financial statements have been drawn up is that headed by Middlewich Limited, which is registered in England and Wales. The smallest group of undertakings is that headed by Pochin's Limited.

The consolidated financial statements of Pochin's Limited can be obtained from Brooks Lane, Middlewich, Cheshire, CW10 0JQ.