

**Gleeson Construction Services Limited**

Directors' report and  
financial statements

Registered number 00783607

30 June 2015

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## **Company information**

<b>The board of directors</b>	S P Allanson (appointed 31 July 2015) S Landes
<b>Registered office</b>	6 Europa Court Sheffield Business Park Sheffield S9 1XE
<b>Auditor</b>	KPMG LLP Chartered Accountants & Registered Auditor 1 Sovereign Square Sovereign Street Leeds LS1 4DA
<b>Bankers</b>	Lloyds Bank Plc 14 Church Street Sheffield S1 1HP

## Strategic report

### Principal activities

The Company's principal activity continues to be that of remedial works of former construction services. The company is considered to be in run-off.

### Business review

The Company sold certain contracts, assets and liabilities in October 2006 to Black & Veatch Limited and in August 2005 to Gleeson Building Limited, a management buy-out vehicle. The run-off activity of the Company is considered to be discontinued.

The company reported a loss for the year of £207,000 (2014: £143,000).

### Dividend

During the year, the Company paid dividends of £nil (2014: £15,202,000).

### Key performance indicators

Revenue, operating loss and operating margin (defined as operating loss expressed as a percentage of revenue) are the key measures of financial performance in the company (including discontinued operations – see note 3), and are as follows:

	2015	2014
Revenue (£000's)	237	100
Operating loss (£000's)	(207)	(131)
Operating margin	(87%)	(131%)

In addition to these financial indicators the company monitors other key indicators including health and safety.

### Financial risk management

The performance of the business is subject to a number of risks that are set out below. Risks are reviewed by the board and appropriate processes are put in place to monitor and mitigate them. Key risks include:

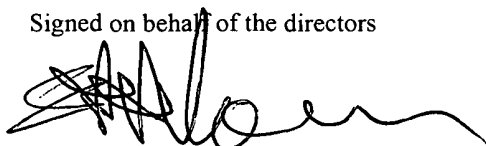
#### Completion of residual projects

These businesses must complete the residual work within the provisions made by management.

#### Latent defects

The company did not dispose of all of its historical contracts, which means that it is exposed to any latent defects that may arise in the future.

Signed on behalf of the directors



**S P Allanson**  
Director

Approved by the directors on 24 March 2016

## **Directors' report**

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2015.

### **Directors**

The directors who served during the year are listed below:

A C Martin (resigned 31 July 2015)  
S Landes

S P Allanson was appointed as director 31 July 2015.

### **Political and charitable donations**

The Company made no political or charitable donations in the year (2014: £nil).

### **Employees**

The Company did not have any employees during the year.

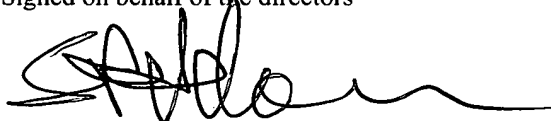
### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to be 'S P Allanson', written over a horizontal line.

**S P Allanson**  
Director

Approved by the directors on 24 March 2016

## **Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Gleeson Construction Services Limited**

We have audited the financial statements of Gleeson Construction Services Limited for the year ended 30 June 2015 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and to form an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

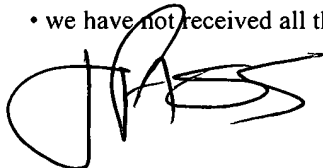
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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



**Johnathan Pass (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

**24 March 2016**

**Statement of comprehensive income**  
*For the year ended 30 June 2015*

	<i>Notes</i>	<b>2015</b>	2014
<b>Discontinued operations</b>		<b>£000</b>	£000
<b>Non-trading income</b>		<b>237</b>	100
Cost of sales		<b>(275)</b>	(46)
<b>Gross (loss)/profit</b>		<b>(38)</b>	54
Administrative expenses		<b>(169)</b>	(185)
<b>Operating loss</b>		<b>(207)</b>	(131)
<b>Loss before taxation</b>	3	<b>(207)</b>	(131)
Taxation	7	-	(12)
<b>Loss for the year</b>		<b>(207)</b>	(143)

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 9 to 16 form part of these financial statements.

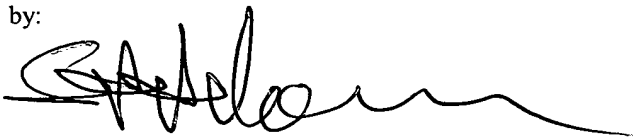


## Statement of financial position

As at 30 June 2015

	Notes	2015 £000	2014 £000
<b>Non-current assets</b>			
Deferred tax assets	10	41	41
		<u>41</u>	<u>41</u>
<b>Current assets</b>			
Trade and other receivables	8	4,998	6,242
Cash and cash equivalents		3	74
		<u>5,001</u>	<u>6,316</u>
<b>Total assets</b>		<u>5,042</u>	<u>6,357</u>
<b>Current liabilities</b>			
Trade and other payables	11	(1,545)	(2,653)
<b>Total liabilities</b>		<u>(1,545)</u>	<u>(2,653)</u>
<b>Net assets</b>		<u>3,497</u>	<u>3,704</u>
<b>Equity</b>			
Ordinary shares	13	1	1
Retained earnings		3,496	3,703
<b>Total equity</b>		<u>3,497</u>	<u>3,704</u>

These financial statements were approved by the board of directors on 24 March 2016 and were signed on its behalf by:



**S P Allanson**  
Director

The notes on pages 9 to 16 form part of these financial statements.

Company registration number: 00783607

## Statement of changes in equity

For the year ended 30 June 2015

	Ordinary share capital £000	Retained earnings £000	Total equity £000
Balance at 1 July 2013	20,000	(951)	19,049
<b>Total comprehensive income for the period</b>			
Loss for the year	-	(143)	(143)
<b>Total comprehensive income for the period</b>	-	(143)	(143)
<b>Transactions with owners, recorded directly in equity</b>			
<b>Contributions and distributions to owners</b>			
Share capital reduction	(19,999)	19,999	-
Dividends	-	(15,202)	(15,202)
<b>Transactions with owners, recorded directly in equity</b>	(19,999)	4,797	(15,202)
<b>Balance at 30 June 2014</b>	1	3,703	3,704
<b>Total comprehensive income for the period</b>			
Loss for the year	-	(207)	(207)
<b>Total comprehensive income for the period</b>	-	(207)	(207)
<b>Balance at 30 June 2015</b>	1	3,496	3,497

## Statement of cashflow

For the year ended 30 June 2015

	Notes	2015 £000	2014 £000
<b>Cash flows from operating activities</b>			
Cash used by operations	14	(71)	(24)
<b>Net cash utilised in operating activities</b>		(71)	(24)
<b>Net decrease in cash and cash equivalents</b>		(71)	(24)
Cash and cash equivalents at beginning of year		74	98
<b>Cash and cash equivalents at end of year</b>		3	74

The notes on pages 9 to 16 form part of these financial statements.

## Notes to the financial statements

### 1 Accounting policies

Gleeson Construction Services Limited ("Company") is a company incorporated in the United Kingdom.

#### *Statement of compliance*

The Company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

#### *Basis of preparation*

Assets and liabilities in the financial statements have been valued at historic cost except where otherwise indicated in these accounting policies.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates include the amounts recoverable on contracts and the recoverability of trade receivables.

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

#### *Revenue recognition*

Revenue represents the fair value of work carried out during the year, including amounts not invoiced.

Revenue and margin on construction contracts are recognised by reference to the stage of completion of the contract at the accounts date. The stage of completion is determined by valuing the cost of the work completed at the accounts date and comparing this to the total forecasted cost of the contract. Full provision is made for all forecasted losses. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and that they are capable of being reliably measured.

Prudent provision against claims from customers or third parties is made in the year in which the Group becomes aware that a claim may arise.

#### *Amounts due from construction contract customers*

Amounts due from construction contract customers represent the value of work carried out at the balance sheet date (see revenue recognition accounting policy) less a provision for foreseeable losses less progress billings.

#### *Trade receivables*

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### *Discontinued operations*

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the income statement (including the comparative period) as a single line entry recording the post tax gain or loss of the discontinued operation and the post tax gain or loss recognised on the remeasurement to fair value less costs to sell. If the discontinued operations are sold the net post tax gain or loss from the sale is also recognised in the single line entry.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank.

#### *Trade and other payables*

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

#### *Tax*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the Company can control the timing of the reversal. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### *Critical accounting judgements and key sources of estimation uncertainty*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Amounts recoverable on contracts and trade receivables*

Management have reviewed the recoverability of amounts recoverable on contracts and trade receivables and the amounts are included at management's best estimate of their recoverable value.

## Notes to the financial statements (continued)

### 2 Segmental information

All the Company's operations are carried out in the United Kingdom.

### 3 Loss before taxation

	2015 £000	2014 £000
<i>Loss before taxation is stated after charging:</i>		
Auditor's remuneration for:		
Audit of these financial statements	5	5

### 4 Remuneration of directors

Director emoluments were borne by the Company's parent company, M J Gleeson Group Limited and the ultimate parent company, MJ Gleeson plc.

### 5 Staff numbers and costs

The Company did not employ any staff during the financial year (2014: none).

### 6 Dividends

In the year, the Company paid a dividend of £nil (2014: £15,202,000).

### 7 Taxation

#### (a) Analysis of tax charge in year

	2015 £000	2014 £000
Current tax:		
UK corporation tax expense on loss for the year at 20.75% (2014: 22.5%)	-	-
	-	-
Deferred tax:		
Current year expense	-	(12)
Tax on profit on ordinary activities (note 7 (b))	-	(12)

#### (b) Factors affecting tax credit for year

Reductions in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013 respectively. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge. The weighted average of corporation tax was 20.75% (2014: 22.5%) of the estimated assessable profit for the year.

## Notes to the financial statements *(continued)*

### 7 Taxation (continued)

The differences are explained below:

	2015 £000	2014 £000
Loss before tax	(207)	(131)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014:22.5%)	(43)	(29)
Effects of:		
Unrelieved tax losses and other deductions arising in the period	28	-
Expenses that are not deductible in determining taxable profits	-	5
Group relief	15	30
Impact of changes in tax rate	-	6
Total tax charge for year (note 7 (a))	-	12

### (c) Factors that may affect future tax charges

Future effective tax rates may vary due to short term timing differences and dividends from subsidiaries.

### 8 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	39	216
Amounts due from construction contract customers	18	15
Amounts due from fellow group undertakings	4,941	6,000
Other receivables	-	11
	4,998	6,242

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and includes an allowance for doubtful debts estimated by the Company's management based on prior experience and their assessment of specific circumstances.

Intercompany balances do not bear interest and are repayable on demand.

See note 12 for reference to credit risk associated with trade receivables.

## Notes to the financial statements *(continued)*

### 9 Construction contracts

	2015 £000	2014 £000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	18	15
	<u>18</u>	<u>15</u>

At 30 June 2015, retentions held by customers for contract work amounted to £nil (2014: £13,000). At 30 June 2015, there are no amounts included in trade and other receivables arising from construction contracts that are included in non-current assets.

### 10 Deferred taxation

Reductions in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013 respectively. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge. The weighted average of corporation tax was 20.75% (2014: 22.5%) of the estimated assessable profit for the year.

*The deferred tax amounts are recognised as follows:*

	Timing differences £000
At 30 June 2014	41
Credit to income	28
Unrelieved tax losses and other deductions arising in the period	(28)
	<u>41</u>
As at 30 June 2015	<u>41</u>

### 11 Trade and other payables

	2015 £000	2014 £000
Trade payables	95	176
Other payables	67	82
Accruals and deferred income	1,383	2,395
	<u>1,545</u>	<u>2,653</u>

The Directors consider that the carrying amount of trade payables approximates their fair value.

## Notes to the financial statements (continued)

### 12 Financial instruments

#### *Risk exposure*

The Company operates within the central treasury function for the MJ Gleeson plc Group. The treasury function arranges loans and funding, invests any surplus liquidity and manages financial risk. Further information is provided within the MJ Gleeson plc Group accounts.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank. The carrying amount of these assets equals their fair value.

#### *Credit risk*

The Company's principal financial assets are trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowance for doubtful debts, estimated by the Company's management based on prior experience and their assessment of specific circumstances.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company has no significant concentration of credit risk, with the largest balance due from an associated company.

#### *Trade receivable aging*

The aging of gross trade receivables at the reporting date was:

	2015 £000	2014 £000
Not past due	-	-
Past due 0-30 days	-	21
Past due 31-120 days	-	-
Past due 121-365 days	-	-
More than one year	39	195
	<u>39</u>	<u>216</u>

#### *Interest rate risk*

The Company pays or receives no interest directly on its bank balances.

#### *Fair values*

The fair value of the Company's financial assets and liabilities are not materially different from the carrying values.

#### *Capital management*

The Company's primary capital management objective is to ensure that the Group maintains investor, creditor and market confidence, to support its business and to maximise shareholder value.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.



## Notes to the financial statements (continued)

### 12 Financial instruments (continued)

#### *Liquidity risk*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

#### Non-derivative financial liabilities

##### At 30 June 2015

	Carrying amount £000	Contractual cashflows £000	6 mths or less £000	6-12 mths £000	1-2yrs £000
Other payables	67	67	67	-	-
Trade payables	95	95	95	-	-
Accruals	25	25	25	-	-
	<u>187</u>	<u>187</u>	<u>187</u>	<u>-</u>	<u>-</u>

##### At 30 June 2014

	Carrying amount £000	Contractual cashflows £000	6 mths or less £000	6-12 mths £000	1-2yrs £000
Other payables	82	82	82	-	-
Trade payables	176	176	176	-	-
Accruals	24	24	24	-	-
	<u>282</u>	<u>282</u>	<u>282</u>	<u>-</u>	<u>-</u>

Excludes Amounts due to construction contract customers

### 13 Called up share capital

	2015		2014	
	No.	£000	No.	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>1,000</u>	<u>1</u>	<u>1,000</u>	<u>1</u>

### 14 Cash flows from operating activities

	2015 £000	2014 £000
<b>Cash flows from operating activities</b>		
Loss before tax from discontinued operations	(207)	(131)
<b>Changes in working capital:</b>		
Decrease in trade and other receivables	185	598
Decrease in trade and other payables	(1,108)	(494)
Decrease in intra-group receivables	1,059	3
<b>Cash used by operations</b>	<u>(71)</u>	<u>(24)</u>

## **Notes to the financial statements** *(continued)*

### **15 Contingent liabilities**

There are claims outstanding which arise under contracts carried out by the company in the ordinary course of business. It is not possible to predict with any certainty the results of these claims but the directors believe, taking into account counter-claims, claims against third parties and provisions in the accounts, that the outcome will not have a material effect on the company's financial position.

### **16 Capital commitments**

There are no capital commitments at 30 June 2015 (2014: £nil).

### **17 Related party transactions**

The Company has a related party relationship with other subsidiaries and joint ventures of MJ Gleeson plc together with key management personnel.

The only related party transactions were those paid by the ultimate parent company and then re-charged to the Company. The total of these balances is included within note 8.

### **18 Ultimate parent undertaking and parent undertaking of larger group of which the company is a member**

The Company is a wholly owned subsidiary of M J Gleeson Group Limited (registered in England and Wales), its parent company.

The smallest and largest Group in which the results of the Company are consolidated is that headed by MJ Gleeson plc. The consolidated financial statements of the Group may be obtained from the Company Secretary, 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE.