

Company Registration No. 02321487 (England and Wales)

**EAST WEST CONNECT LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2023**

**∴RickardLuckin**

# EAST WEST CONNECT LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mrs K O'Hanlon MM Allen P O'Hanlon Ms N O'Hanlon RJ Carroll M Laphorn CJ Cooper S Allen (Appointed 17 July 2023)
<b>Secretary</b>	NP Tanna
<b>Company number</b>	02321487
<b>Registered office</b>	1st Floor County House 100 New London Road Chelmsford Essex CM2 0RG
<b>Auditor</b>	Rickard Luckin Limited 1st Floor County House 100 New London Road Chelmsford Essex CM2 0RG
<b>Business address</b>	Unit 5 Silicone Business Centre 28 Wadsworth Road Perivale Middlesex UB6 7JZ
<b>Bankers</b>	HSBC Bank Plc Coventry DSC Harry Weston Road Coventry West Midlands CV3 2TQ
<b>Solicitors</b>	Backhouse Solicitors Limited 17 Duke Street Chelmsford Essex CM1 1JU

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# **EAST WEST CONNECT LIMITED**

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# **EAST WEST CONNECT LIMITED**

## **STRATEGIC REPORT**

### **FOR THE PERIOD ENDED 31 MARCH 2023**

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The directors present the strategic report and financial statements for East West Connect Ltd for the period ended 31st March 2023, please note this covers a 9-month period.

#### **Review of the business**

East West Connect Ltd is the main trading subsidiary of East West Group Ltd, it has continued to grow since it was established over 30 years ago by John O'Hanlon. Today the group remains majority owned by the O'Hanlon family and Kathleen O'Hanlon took on the role of Chairperson in 2014. The family will maintain its active leadership through the Chairperson and will further develop the role of family members at both operational and board level to maintain continuity and provide direction to the management team as the business grows. Running of the business is under the stewardship of Marcus Allen as Managing director and the team of directors headed up by Ross Carroll.

In recent years as part of a long-term incentive strategy, key management have been given the opportunity to become A and B shareholders and these long-term incentives plans continue to be rolled out to help ensure management team is retained and built upon for the future.

The market has settled somewhat from the turmoil of the previous few years, ongoing inflation and supply chain issues continue to create a level of risk however we believe that we have established strong commercial processes to help manage this ongoing issue. We do not see the position changing in relation to inflation, but this now is the accepted normal in the market and clients are planning on this basis to limit impact.

The figures are for the 9 months to end of March, we have moved our end of year to be aligned with our clients and general market, these figures show a continued resilient position for the present time coupled with strong financials in what has been another troubled year and even harder times to predict. But East West Connect maintains a very strong position with the nature of our works and clients including a variety of negotiated projects and potential 2 stage tenders helping to alleviate these pressures.

East West Connect maintains a very strong position with completed major infrastructure works exceeding £45M and yet a further £15M secured and still to deliver over the next 2 years, and further negotiations ongoing. Works with Takenaka at Lombard Street following earlier phases push ahead with works commencing on major plant and infrastructure replacement commenced, that should continue well into 2025-26 and several others being reviewed within the other building portfolios. We continue to expand our works within a variety of niche markets including a variety of high profile works within the Japanese business sector, numerous high profile live complex building environments including a selection of heritage Palace works and continued works within the CAT A market with successfully securing projects at 41 Lothbury with Wates Construction and 84 Moorgate with Osborne giving a further £20M of secured works over the next 12 months that are progressing well.

Our tender schedule continues to enjoy a good balance of direct to end users on infrastructure works giving greater margin and control, coupled with continuation of works for a very select number of main contractors with key potentials still with Takenaka, Tide, Waites, Walter Lilly, Osborne's. Although we are continuing to tender works, they are focused on longer term works being our main target supplemented with a few smaller immediate works with known sources or client direct infrastructure works that are low in management and labour. This gives a further £40-£50M of real opportunities still to be developed over the coming years to ensure any slippage is well covered and contingency for the years 2023-25 turnover.

Having now converted further highly prestigious projects including another long-term degasification and plant replacement project within the heart of London for the banking sector, receiving the first of several orders working direct for the client with an estimated budget of £25M over 3-4 years commencing construction later this year, this will allow us to redistribute resources from other major programmes coming to a close and maintaining high rates of labour utilisation.

We have continued to develop a multi-in-house delivery approach, complimented and cross feeding between facets of the business and creating client contract opportunities where we have already established a positive relationship. This is particularly seeing benefit in the maintenance division with high-profile long-term contract work driven out of the project delivery. We also continue to invest and grow our direct delivery capacity with a large pool of direct labour across all trades to facilitate the control and quality required in such live complex and prestige environments.

## **EAST WEST CONNECT LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE PERIOD ENDED 31 MARCH 2023**

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Social Housing contracts have been a significant part of the business since the 1990s and with the completion of the Catalyst and Peabody merger, coupled with recent renewal of our 5 plus 5 years frameworks providing secured packages of M&E at £80M and Fire management works tenders of £20M over 10 years, our maintenance team remains in a great place as they expand. We continue to become more integral in the considerable challenge of delivering a full package of services to the newly expanded Peabody now with over 100,000 properties, this creates a stable and growing income stream upon which to further build our capability in this market.

The maintenance division is seeing lots of new contracts and potential from cross pollination with the other sectors of the business, supported by continued works for L&Q, Galilford Try and Japanese/ Swiss embassies Market. We are confident that this will act as a catalyst securing more contracts and revenue within these markets and have already closed deals with several commercial real estate owners to spread our portfolio across both public and private income streams.

#### **Key performance indicators**

We are pleased to report another year of growth and sustainable profit for the group with a good year maintaining organic growth and profits in line with previous years. Turnover is above that projected, even with several of our major projects seeing slippage on commencement dates, across the group we have turned over £31.9M (against budget of £27.3M) which equates to more than £40M pro-rata over 12 months, this is complemented with an increased margin @ 16.4% (Budget – 10.9%) giving GP £5.2M and net profit before Tax £2.3M (again against projected £605K). These consolidated figures now include our sister company East West Compass (formerly Chas West) that services the reactive maintenance market for Peabody and is in the process of renegotiating a further 10-year framework and will be fully rebranded as East West Compass part of the East West Group.

The focus on margin remains but moderated to secure contracts with robust projects / clients giving longevity and payment certainty / improved cash flow, particularly during these unpredictable times. These types of contracts are often government funded directly or indirectly.

#### **Financial Instruments**

We closely monitor and manage cash flow and have not needed to resort to our bank funding facility within the year, which however remains in place on an in case of need basis, but we have continued to grow a strong bank balance to fund the growing projects requirements, and this coupled with a growth of our assets leads to ever increasing security for the larger projects.

The company's policy is to pay suppliers to the agreed terms upon which business is conducted and continue to build an extremely strong and robust supply chain. The directors regularly review the financial requirements of the company and the risks associated therewith. The company's operations are primarily financed from retained earnings and we have again increased our assets through investment within the business and property, and a board policy of profit retention, however a bank loan relating to trading premises and overdraft facility is available but presently unused.

As can be seen from our strong account operation and working capital position, we continue to be mindful of cash flow with a keen eye on building a reserve and accruals of all future payments including VAT, hence maintaining flexibility whilst maximising our available capital. Our banking accounts have been restructured to maximise our position with our increasing reserves and interest rates to ensure whilst remaining agile with our reserves. At this stage we are likely to continue with our dividend policy of retaining 50% of the profit within the business to ensure our stability and growth, this leads to our strong balance in these times. To further our development of our staff we continue to review employment packages and provide above market employment packages to build a team for the future.

This coming year will see the investment and implementation of a full new 4PS finance system to replace the exchequer systems utilised for the last 10 years to give greater control, understanding and transparency of the company finance from cradle to grave and will use this opportunity to overhaul and invest across the business in new procurement process to enhance transparency and accountability.

## **EAST WEST CONNECT LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE PERIOD ENDED 31 MARCH 2023**

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#### **Risks and uncertainties**

Against many unstable and unpredictable market factors, including inflation, potential of recession and supply chain challenges our business has continued to grow across the board and we presently see more many opportunities, secured works and tender pipeline than ever in our history. So therefore, although we acknowledge and continue to plan for financial challenges, slippage, changing market, client mergers and supply and cost challenges we see ourselves in a strong position driven through hard work, diversity, good reputation and a constantly growing management and delivery team that is the best in the industry. Maintaining margin growth against this background will be challenging but we continue to plan effectively, adapting our processes and systems to create high levels of transparency and improve financial planning and analysis and early identification and mitigation of issues.

The key business risks and uncertainties affecting the company are related to future contracts and economic conditions, inflation and supply chain issues which have been strongly influence by the likes of COVID-19, Brexit, political uncertainty and Ukraine; we go into 2023/24 in a strong position with 90% of our income budget secured and supported by signed contracts with highly credit rated clients. A considerable level of our projects provide secured works extending well into 2025-26 underwriting a large element of the following year's activities and allowing continued investment in staff and systems. The business has strong relationships with a growing list of key and highly rated clients, coupled with introducing some new key main contractors. Recently secured negotiated works again strengthen the position along with the renewed contracts with our social housing client and our reactive business taking this further to 2029.

East West Connect have continued the growth following full accreditation in specialist fire protection and works to complement our already extensive fire alarm and fire doors works; now building our in-house capability and direct delivery to ensure our development in our ever-changing market and with recent successful tenders have key contracts secured running for circa 5-10 years. we have continued with considerable growth, investment and development across the company has led to expansion of the Quality, Health and Safety department into a Compliance department to take the relevant standards, health and safety and quality (ISO 9001 & 14001 and transition from OHSAS 18001 to 45001) into the next era.

We continued working closely with several key clients and consultants with the intentions to expand within the Energy and Carbon Neutral market as part of our confirmed 5 years growth plan, that is also being reviewed and updated during the next 12 months.

On behalf of the board

Mrs K O'Hanlon  
**Director**

1 November 2023

# **EAST WEST CONNECT LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE PERIOD ENDED 31 MARCH 2023**

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The directors present their annual report and financial statements for the period ended 31 March 2023.

#### **Principal activities**

The principal activities of the company continued to be that of electrical and mechanical engineers, construction and building services.

#### **Results and dividends**

The results for the period are set out on page 10.

Interim dividends were paid amounting to £600,000.

#### **Directors**

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

KM Tannian	(Resigned 31 August 2022)
Mrs K O'Hanlon	
MM Allen	
P O'Hanlon	
Ms N O'Hanlon	
RJ Carroll	
M Laphorn	
CJ Cooper	
S Allen	(Appointed 17 July 2023)

#### **Auditor**

In accordance with the company's articles, a resolution proposing that Rickard Luckin Limited be reappointed as auditor of the company will be put at a General Meeting.

#### **Statement of directors' responsibilities**

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.

## **EAST WEST CONNECT LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE PERIOD ENDED 31 MARCH 2023***

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#### **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

Mrs K O'Hanlon  
**Director**

1 November 2023



# **EAST WEST CONNECT LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF EAST WEST CONNECT LIMITED**

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#### **Opinion**

We have audited the financial statements of East West Connect Limited (the 'company') for the period ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 March 2023 and of its profit for the period 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 period 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.

## **EAST WEST CONNECT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)** **TO THE MEMBERS OF EAST WEST CONNECT LIMITED**

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#### **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.

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.

#### **Capability of the audit in detecting irregularity, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our: general commercial and sector experience; through verbal and written communications with those charged with governance and other management and via inspection of the company's regulatory and legal correspondence.

We discussed with those charged with governance and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations to our team and remained alert to any indicators of non-compliance throughout the audit, we also specifically considered where and how fraud may occur within the company.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements, including: the company's constitution, relevant financial reporting standards; company law; tax legislation and distributable profits legislation and we assess the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

## **EAST WEST CONNECT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF EAST WEST CONNECT LIMITED**

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Secondly the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on the amounts or disclosures in the financial statements, for instance through the imposition of fines and penalties, or through losses arising from litigations. We identified the following areas as those most likely to have such an affect: employment legislation; health and safety legislation; trade legislation; data protection legislation; anti-bribery and anti-corruption legislation.

ISAs (UK) limit the required procedures to identify non-compliance with these laws and regulations to the procedures, and no procedures over and above those already noted are required. These limited procedures did not identify any actual or suspected non-compliance which laws and regulations that could have a material impact on the financial statements.

In relation to fraud, we performed the following specific procedures in addition to those already noted:

- Challenging assumptions made by management in its significant accounting estimates, in particular: accounting for contracting income;
- Identifying and testing journal entries, in particular any entries posted with unusual nominal ledger account combinations, journal entries crediting cash or any revenue account, and journal entries posted by senior management;
- Performing analytical procedures to identify unexpected movements in account balances which may be indicative of fraud;
- Ensuring that testing undertaken on both the performance statement, and the Balance Sheet includes a number of items selected on a random basis;
- Discussions with management; and
- Reviewing board minutes.

These procedures did not identify any actual or suspected fraudulent irregularity that could have a material impact on the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with ISAs (UK). For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the procedures that we are required to undertake would identify it. In addition, as with any audit, there remains a high risk of non-detection of irregularities, as these might involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal controls. We are not responsible for preventing non-compliance with laws and regulations or fraud, and cannot be expected to detect non-compliance with all laws and regulations or every incidence of fraud.

## **EAST WEST CONNECT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF EAST WEST CONNECT LIMITED**

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#### **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.

**Paul Forster**  
**Senior Statutory Auditor**  
**For and on behalf of Rickard Luckin Limited**

2 November 2023

**Chartered Accountants**  
**Statutory Auditor**

1st Floor  
County House  
100 New London Road  
Chelmsford  
Essex  
CM2 0RG

# **EAST WEST CONNECT LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD ENDED 31 MARCH 2023**

		<b>Period ended 31 March 2023 £</b>	<b>Year ended 30 June 2022 £</b>
	<b>Notes</b>		
<b>Turnover</b>	<b>3</b>	28,633,164	27,153,457
Cost of sales		(24,323,164)	(22,863,645)
<b>Gross profit</b>		4,310,000	4,289,812
Administrative expenses		(2,227,964)	(2,473,186)
Other operating income		-	14,883
<b>Operating profit</b>	<b>4</b>	2,082,036	1,831,509
Interest receivable and similar income	<b>7</b>	-	565
Interest payable and similar expenses	<b>8</b>	(63)	(52)
<b>Profit before taxation</b>		2,081,973	1,832,022
Tax on profit	<b>9</b>	(461,488)	(312,903)
<b>Profit for the financial period</b>		1,620,485	1,519,119

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# EAST WEST CONNECT LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2023

		31 March 2023		30 June 2022	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		177,222		160,959
<b>Current assets</b>					
Debtors	12	7,064,648		5,326,254	
Cash at bank and in hand		4,578,638		3,075,348	
		<u>11,643,286</u>		<u>8,401,602</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,716,357)</u>		<u>(4,506,211)</u>	
<b>Net current assets</b>			4,926,929		3,895,391
<b>Total assets less current liabilities</b>			<u>5,104,151</u>		<u>4,056,350</u>
<b>Provisions for liabilities</b>					
Deferred tax liability	14	<u>27,316</u>	(27,316)	-	-
<b>Net assets</b>			<u>5,076,835</u>		<u>4,056,350</u>
<b>Capital and reserves</b>					
Called up share capital	16		5,000		5,000
Profit and loss reserves	17		<u>5,071,835</u>		<u>4,051,350</u>
<b>Total equity</b>			<u>5,076,835</u>		<u>4,056,350</u>

The financial statements were approved by the board of directors and authorised for issue on 1 November 2023 and are signed on its behalf by:

Mrs K O'Hanlon  
Director

MM Allen  
Director

Company Registration No. 02321487

# **EAST WEST CONNECT LIMITED**

## **STATEMENT OF CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 31 MARCH 2023**

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
<b>Balance at 1 July 2021</b>		5,000	3,282,331	3,287,331
<b>Year ended 30 June 2022:</b>				
Profit and total comprehensive income for the year		-	1,519,119	1,519,119
Dividends	10	-	(750,100)	(750,100)
<b>Balance at 30 June 2022</b>		5,000	4,051,350	4,056,350
<b>Period ended 31 March 2023:</b>				
Profit and total comprehensive income for the period		-	1,620,485	1,620,485
Dividends	10	-	(600,000)	(600,000)
<b>Balance at 31 March 2023</b>		5,000	5,071,835	5,076,835

# **EAST WEST CONNECT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE PERIOD ENDED 31 MARCH 2023**

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#### **1 Accounting policies**

##### **Company information**

East West Connect Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1st Floor, County House, 100 New London Road, Chelmsford, Essex, CM2 0RG.

##### **1.1 Reporting period**

The reporting period for these financial statements has been reduced to 9 months. The period has been reduced to remain in line with the period of the parent company, which has also been reduced to 9 months. The comparative amounts presented in the financial statements are therefore not entirely comparable as they relate to a 12 month period.

##### **1.2 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 certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of East West Group Limited. These consolidated financial statements are available from its registered office, 1st Floor, County House, 100 New London Road, Chelmsford, Essex, CM2 0RG.

##### **1.3 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.

##### **1.4 Turnover**

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



# EAST WEST CONNECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2023

### 1 Accounting policies

(Continued)

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.5 Tangible fixed assets

Tangible fixed assets 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:

Leasehold improvements	Over the 10 year lease term
Fixtures, fittings & equipment	25% reducing balance
Motor vehicles	25% reducing balance

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.

#### 1.6 Impairment of fixed 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.

#### 1.7 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.

#### 1.8 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 balance sheet 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 debtors 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.

# EAST WEST CONNECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2023

### 1 Accounting policies

(Continued)

#### **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.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, 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 creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

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

### 1.9 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.

### 1.10 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 profit and loss account 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.

#### **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 profit and loss account, 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.

## **EAST WEST CONNECT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE PERIOD ENDED 31 MARCH 2023**

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#### **1 Accounting policies**

**(Continued)**

##### **1.11 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 fixed 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.

##### **1.12 Retirement benefits**

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

##### **1.13 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

##### **1.14 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.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

#### **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.

##### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

##### **Contract accounting**

Revenue from amounts recoverable on contracts is valued by reference to the stage of contract completion, which is judged by reviewing the costs to date incurred as a percentage of the final expected contract costs. Using this percentage of completion, an adjustment is made for to recognise the appropriate revenue.

# EAST WEST CONNECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2023

### 3 Turnover and other revenue

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

	2023 £	2022 £
<b>Turnover analysed by class of business</b>		
Services	28,633,164	27,153,457
	<u>28,633,164</u>	<u>27,153,457</u>
	2023 £	2022 £
<b>Other revenue</b>		
Interest income	-	565
Grant income	-	14,883
	<u>-</u>	<u>15,448</u>

### 4 Operating profit

Operating profit for the period is stated after charging:

	2023 £	2022 £
Fees payable to the company's auditor for the audit of the company's financial statements	27,250	24,750
Depreciation of owned tangible fixed assets	48,639	41,049
(Profit)/loss on disposal of tangible fixed assets	-	3,598
Operating lease charges	36,000	48,000
	<u>111,889</u>	<u>117,397</u>

### 5 Employees

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

	2023 Number	2022 Number
Administration	13	19
Cost of Sales	79	65
Directors	7	7
	<u>99</u>	<u>91</u>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	4,098,080	4,321,695
Social security costs	467,940	476,875
Pension costs	85,325	93,947
	<u>4,651,345</u>	<u>4,892,517</u>

# **EAST WEST CONNECT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE PERIOD ENDED 31 MARCH 2023**

### **6 Directors' remuneration**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	600,968	675,611

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2022 - 8).

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

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	136,731	150,650

Key Management Personnel consist only of directors.

### **7 Interest receivable and similar income**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interest income		
Other interest income	-	565

### **8 Interest payable and similar expenses**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interest on bank overdrafts and loans	63	52

### **9 Taxation**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	434,172	380,870
Adjustments in respect of prior periods	-	(67,967)
Total current tax	434,172	312,903
<b>Deferred tax</b>		
Origination and reversal of timing differences	27,316	-
Total tax charge	461,488	312,903

# EAST WEST CONNECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2023

#### 9 Taxation

(Continued)

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
Profit before taxation	2,081,973	1,832,022
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	395,575	348,084
Tax effect of expenses that are not deductible in determining taxable profit	45,436	37,618
Tax effect of income not taxable in determining taxable profit	(3,703)	(3,197)
Change in unrecognised deferred tax assets	(3,524)	(2,023)
Depreciation on assets not qualifying for tax allowances	388	388
R&D claim in respect of prior years	-	(67,967)
Deferred taxation charge	27,316	-
Taxation charge for the period	461,488	312,903

#### 10 Dividends

	2023 £	2022 £
Interim paid	600,000	750,100

#### 11 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 July 2022	53,708	268,691	33,187	355,586
Additions	-	64,069	833	64,902
At 31 March 2023	53,708	332,760	34,020	420,488
<b>Depreciation and impairment</b>				
At 1 July 2022	32,225	137,382	25,020	194,627
Depreciation charged in the period	4,028	42,923	1,688	48,639
At 31 March 2023	36,253	180,305	26,708	243,266
<b>Carrying amount</b>				
At 31 March 2023	17,455	152,455	7,312	177,222
At 30 June 2022	21,483	131,309	8,167	160,959

# EAST WEST CONNECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2023

### 12 Debtors

	2023	2022
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	2,266,898	2,377,792
Gross amounts owed by contract customers	2,913,321	1,400,910
Amounts owed by group undertakings	1,489,075	1,531,626
Other debtors	5,540	5,426
Prepayments and accrued income	389,814	10,500
	<u>7,064,648</u>	<u>5,326,254</u>

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

	2023	2022
	£	£
Trade creditors	3,067,265	1,682,061
Corporation tax	319,880	250,770
Other taxation and social security	676,047	485,055
Other creditors	363,887	372,646
Accruals and deferred income	2,289,278	1,715,679
	<u>6,716,357</u>	<u>4,506,211</u>

### 14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2023	Liabilities 2022
	£	£
<b>Balances:</b>		
Accelerated capital allowances	<u>27,316</u>	<u>-</u>
<b>Movements in the period:</b>		2023
		£
Liability at 1 July 2022		-
Charge to profit or loss		<u>27,316</u>
Liability at 31 March 2023		<u>27,316</u>

## EAST WEST CONNECT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2023

#### 15 Retirement benefit schemes

	2023	2022
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	85,325	93,947

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.

#### 16 Share capital

	2023	2022	2023	2022
	Number	Number	£	£
<b>Ordinary share capital</b>				
<b>Authorised</b>				
Ordinary of £1 each	100,000	100,000	100,000	100,000
<b>Issued and fully paid</b>				
Ordinary of £1 each	5,000	5,000	5,000	5,000

The company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries one voting right.

#### 17 Profit and loss reserves

All profit and loss reserves are deemed distributable.

#### 18 Financial commitments, guarantees and contingent liabilities

At 31 March 2023 HSBC held a multilateral guarantee in respect of East West Connect Limited and East West Group Limited. This is in respect of security over group assets for the bank loans and overdrafts. At 31 March 2023 the total borrowings against this guarantee were £Nil (2022: £Nil) of which £Nil (2022: £Nil) is included within the creditors of this company's financial statements.

#### 19 Related party transactions

At the year end the company owed the directors a total of £206,232 (2022: £237,233).

At the year end the company was owed a total of £566,124 (2022: £624,575) by a fellow group company.

At the year end the company was owed a total of £922,951 (2022: £907,051) by its parent company.

The company has taken advantage of the exemption available in FRS102 whereby it has not disclosed transactions with any wholly owned group members.

#### 20 Ultimate controlling party

In this and the preceding financial year, the immediate and ultimate parent undertaking is East West Group Limited, a company incorporated in England and Wales. Consolidated financial statements are available from Companies House.

The controlling party is Mrs K O'Hanlon by virtue of her shareholding in the parent company, in both the current and preceding year.



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