Registered number: 02596893

Rowlinson Constructions Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Company Information

Directors	D S Chilton A C Simpson S J Weir
Company secretary	A C Simpson
Registered number	02596893
Registered office	Gardale House 118b Gatley Road Gatley Cheadle Cheshire SK8 4AU
Independent auditors	Hurst Accountants Limited Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport SK1 1TD
Bankers	The Royal Bank of Scotland plc 1 Hardman Boulevard Manchester M3 3AQ

Contents

Strategic Report
For the year ended 31 December 2020

Introduction

The directors present the strategic report for the year ended 31 December 2020.

Business review

The principal activity of the company during the year was that of building contractor and developer on a broad range of residential focussed projects.

The directors report an operating profit of £346,206. Turnover in the year was broadly similar to 2019 but lower than had been forecast. The company lost several weeks of full productivity when its sites were closed temporarily to protect the workforce during the 'first lockdown'. Notwithstanding the collateral disruption to the supply chain and the revision of safe working practices which restricted the rate of output, we are pleased to report a profit, albeit lower than anticipated. The company has focussed hard on recovering the lost productivity and combined with a strong order book, the prospects for 2021 and into 2022 are healthy.

The directors wish to record their appreciation for the efforts of all employees and members of our supply chain throughout 2020. The health and safety of employees and third parties attending our locations is of paramount importance to the directors. For this reason, the directors took the decision to close all sites for several weeks from March through to May 2020 and most employees were furloughed. Through careful planning, investment in safety equipment and materials, and the continuous monitoring and assessment of working procedures in line with government guidance, our sites were able to re-open in May and have continued to operate through the subsequent period. Thankfully, only a handful of employees were directly affected by COVID19.

Strategically the company remains committed to its long-standing operational model in the North West where it has built a loyal and trusted client base over many years. The turnover for 2020 reflected those principles with projects arising from partnerships with registered providers of affordable housing, with the construction of private rented homes for institutionally-backed investors and with negotiated contract work for private developers. The portfolio of schemes has a broad base of outputs ranging from lower density houses, smaller apartment blocks and higher density 'senior living' schemes.

The company has an enviable and solid reputation in its area of operation based on a successful track record of delivery as a residential contractor. This reputation has led to the company developing a contractual relationship with a prominent local council and with registered providers to deliver their housing schemes. This is part of a risk management approach which limits any requirement for debt to underpin operational activity. The established supply chain continues to support the delivery of the contracts.

The balance sheet provides a solid platform to support the forecast needs of the business. The company is debt free.

Future developments

There is a healthy demand for new homes and the business strategy is to build a pipeline of land led opportunities for partners combined with developing new relationships in both the wider public and private housing sectors.

The company has secured a strong current and forward order book which will underpin the business in the medium-term.

Strategic Report (continued)
For the year ended 31 December 2020

Principal risks and uncertainties

The company undertakes some contracts on a fixed price basis. There is an element of risk that unforeseen events and further economic disruption occurs from Brexit and the COVID19 pandemic resulting in costs being incurred which cannot be recovered from the client. This risk is mitigated internally by employing suitably qualified and experienced staff to manage the process.

A significant proportion of turnover is generated from contracts entered into with publicly funded organisations, and, consequently, the company's results can be exposed to variations in Government spending policy. However current policy remains focussed on increasing the supply of housing across all tenures and this is not seen as a significant risk for the immediate future.

The directors have continued to undertake speculative housing projects linked to mixed tenure schemes with registered providers. The directors are aware that there is an element of risk associated with adverse movements in market values that can be exacerbated by wider economic pressures. The Government policy to support housing for sale through SDLT relief over the last year has sustained demand for new homes.

Financial key performance indicators

	2020	2019	2018	2017	2016
Turnover £'000	29,147	30,959	19,164	21,765	18,618
Gross profit £'000	2,086	2,705	1,889	1,855	2,191
Gross profit %	7%	9%	10%	9%	12%
Operating profit £'000	346	786	130	139	408
Operating profit/turnover %	1%	3%	1%	1%	2%
Number of employees	72	65	65	59	59
Operating profit per employee £'000	5	12	2	7	7

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

A C Simpson
Director

Date: 10 May 2021

Directors' Report
For the year ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £297,279 *(2019 - £646,507)*.

The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

D S Chilton
A C Simpson
S J Weir

Future developments

An indication of the likely future developments in the company's business is provided in the strategic report.

Directors' Report (continued)
For the year ended 31 December 2020

Financial instruments

The company's principal financial instruments comprise bank deposits, and various items such as trade debtors, trade creditors, finance and operating lease agreements, which arise directly from its operations. The main purpose of these instruments is to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company operates wholly within the UK and foreign exchange risk is not material.

The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

The company's treasury management policies are designed to ensure continuity of funding. The company makes use of money market facilities, when funds are available, in order to maximise interest received.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning contract terms and the regular monitoring of amounts outstanding.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet both anticipated requirements and to provide a prudent level of headroom.

The company is a lessee in respect of finance and operating leased assets. The liquidity risk in respect of these is managed in the same way as trade creditors above.

Disclosure of information to auditors

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

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

Post balance sheet events

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

Auditors

The auditors, Hurst Accountants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

A C Simpson
Director

Date: 10 May 2021

Independent Auditors' Report to the Members of Rowlinson Constructions Limited

Opinion

We have audited the financial statements of Rowlinson Constructions Limited (the 'company') for the year ended 31 December 2020, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Independent Auditors' Report to the Members of Rowlinson Constructions Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' 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 set out on page 3, 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.

Independent Auditors' Report to the Members of Rowlinson Constructions Limited (continued)

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.

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 identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

The nature of the industry and sector, control environment and business performance including key drivers for bonus related pay and performance targets.

- Enquiring of local management and parent company management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected of alleged fraud;
  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements, such as the Companies Act 2006, pensions and tax legislation, or that had a fundamental effect on the operations of the Company, including Health and Safety regulations, General Data Protection requirements, Anti-bribery and corruption policy and the Coronavirus Job Retention Scheme.

Audit response to risks identified

Our procedures to respond to risk identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Enquiring of management concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and

Independent Auditors' Report to the Members of Rowlinson Constructions Limited (continued)

- Carrying out substantive testing to confirm the validity and accuracy of 'furlough' claims.

We have also considered the risks noted above in addressing the risk of fraud through management override of controls:

- Testing the appropriateness of journal entries and other adjustments;
- Challenging assumptions made by management in their significant accounting estimates, and assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above, and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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.

Anthony Woodings (senior statutory auditor)
for and on behalf of
Hurst Accountants Limited
Chartered Accountants
Statutory Auditors
Lancashire Gate
21 Tiviot Dale
Stockport
SK1 1TD

10 May 2021

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020 £	*2019* *£*
Turnover	4	**29,146,542**	*30,959,486*
Cost of sales		**(27,060,825)**	*(28,254,628)*
Gross profit		**2,085,717**	*2,704,858*
Administrative expenses		**(1,992,184)**	*(1,948,491)*
Other operating income	5	**252,673**	*29,285*
Operating profit	6	**346,206**	*785,652*
Interest receivable and similar income	10	**3,884**	*5,902*
Interest payable and expenses	11	**(2,355)**	*(3,015)*
Profit before tax		**347,735**	*788,539*
Tax on profit	12	**(50,456)**	*(142,032)*
Profit for the financial year		**297,279**	*646,507*

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 12 to 26 form part of these financial statements.

Balance Sheet
As at 31 December 2020

	Note		2020 £		*2019 £*
Fixed assets					
Tangible assets	13		**417,453**		*283,887*
Investments	14		**295,941**		*295,941*
			713,394		*579,828*
Current assets					
Stocks	15	**64,150**		*2,579,750*	
Debtors: amounts falling due within one year	16	**15,826,369**		*13,822,567*	
Cash at bank and in hand	17	**4,093,998**		*4,232,390*	
		19,984,517		*20,634,707*	
Creditors: amounts falling due within one year	18	**(9,995,045)**		*(11,091,473)*	
Net current assets			**9,989,472**		*9,543,234*
Total assets less current liabilities			**10,702,866**		*10,123,062*
Creditors: amounts falling due after more than one year	19		**(2,461)**		*(16,425)*
Provisions for liabilities					
Deferred tax	21		**(2,239)**		-
Other provisions	22		**(1,227,500)**		*(933,250)*
Net assets			**9,470,666**		*9,173,387*
Capital and reserves					
Called up share capital	23		**1,000**		*1,000*
Profit and loss account	24		**9,469,666**		*9,172,387*
			9,470,666		*9,173,387*

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

A C Simpson
Director

Date: 10 May 2021

The notes on pages 12 to 26 form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	1,000	9,172,387	9,173,387
Comprehensive income for the year			
Profit for the year	-	297,279	297,279
Total comprehensive income for the year	-	297,279	297,279
At 31 December 2020	1,000	9,469,666	9,470,666

Statement of Changes in Equity
For the year ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	1,000	8,525,880	8,526,880
Comprehensive income for the year			
Profit for the year	-	646,507	646,507
Total comprehensive income for the year	-	646,507	646,507
At 31 December 2019	1,000	9,172,387	9,173,387

1. General information

Rowlinson Constructions Limited is a private company limited by shares and incorporated in England. The address of the registered office and principal place of business is Gardale House, 118b Gatley Road, Gatley, Cheadle, SK8 4AU. The company's registered number is 02596893.

The company continues to operate predominantly in the social housing and speculative housing construction markets.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Revenue

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

Construction contracts

When the outcome of construction contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion at the end of the reporting period.

Reliable estimation of the outcome of construction contracts requires reliable estimates of the stage of completion, future costs and collectability of billings. The stage of completion is measured by surveys of work performed.

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

When it is probable that the total contract costs will exceed total contract revenue on a construction contract, the expected loss shall be recognised as an expense immediately, with a corresponding provision for an onerous contract.

Revenue in respect of variations to contracts and incentive payments is recognised when it is probable it will be agreed by the customer.

Own developments

Revenue derived from the sale of speculative developments is recognised upon the transfer of risks and rewards of ownership to the buyer, when there is an exchange of unconditional contracts.

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Rowcon Limited as at 31 December 2020 and these financial statements may be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, C14 3UZ.

2.4 Leased assets: Lessee

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised as tangible fixed assets at commencement of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct cost, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method to produce a constant rate of charge on the balance of the capital repayments outstanding.

2.5 Going concern

The company is currently undertaking a number of profitable contracts and has secured a strong order book going forward.

Accordingly, the directors believe it is appropriate to prepare the financial statements to 31 December 2020 on a going concern basis.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

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 in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.8 Current and deferred taxation

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

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

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

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

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

2.9 Tangible fixed assets

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Long-term leasehold property	-	2%	straight line
Short-term leasehold property	-	7%	straight line
Plant and machinery	-	25%	straight line
Motor vehicles	-	25%	straight line
Fixtures, fittings and equipment	-	25%	straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Operating leases: Lessee

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the company. Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the lease term. The aggregate benefit of lease incentives are recognised as a reduction to the expense over the lease term on a straight line basis.

2.11 Valuation of investments

Investments held as fixed assets are shown at cost, which is considered to be the fair value.

Other fixed asset investments, as detailed in note 14, represent sold properties in which the company retains an interest comprising a proportion of the costs of units being sold under a shared ownership scheme.

2.12 Stocks

Stock of land for development is included at the lower of acquisition cost or net realisable value. Net realisable value for this purpose is the estimated selling value less estimated selling costs.

The company recognises costs that relate to future activity on a construction contract as an asset if it is probable that the costs will be recovered.

Contract and speculative building work in progress is valued at cost or net realisable value, whichever is the lower. Cost for this purpose includes all direct costs as follows:- direct labour and materials, work done by subcontractors, hire of plant and equipment used on contract sites, and all overheads except those relating to administration. Net realisable value for this purpose is estimated selling value less cost to completion including selling costs.

2. Accounting policies (continued)

2.13 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans to and from related parties.

Debt instruments that are payable or receivable within one year, typically trade payable or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

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

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

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

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

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

Preparation of the financial statements requires management to make significant judgements and estimates that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may differ from these judgements, estimates and assumptions. The judgements, estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the company as at 31 December 2020 are discussed below.

a) Revenue and margin recognition

The company's revenue recognition and margin recognition policies, which are set out in note 2.2, are central to how the company values the work it has carried out in each financial year. These policies require forecasts to be made of the outcomes of construction contracts, which require assessments and judgements to be made. The company reviews and, when necessary, revises the estimates of revenue and costs as the contract progresses.

b) Provisions

Provisions are liabilities of uncertain timing or amount and therefore making a reliable estimate of the quantum and timing of liabilities judgement is applied and re-evaluated at each reporting date. The company recognised provisions at 31 December 2020 of £1,227,500 *(2019 - £993,250)*.

Notes to the Financial Statements
For the year ended 31 December 2020

4. Turnover

An analysis of turnover by class of business is as follows:

	2020	*2019*
	£	*£*
Contract revenue	**25,612,042**	*30,959,486*
Sale of properties	**3,534,500**	*-*
	29,146,542	*30,959,486*

All turnover arose within the United Kingdom.

5. Other operating income

	2020	*2019*
	£	*£*
Other operating income	**26,648**	*29,285*
Government grants receivable	**226,025**	*-*
	252,673	*29,285*

6. Operating profit

The operating profit is stated after charging/(crediting):

	2020	*2019*
	£	*£*
Depreciation of tangible fixed assets owned by the company	**37,330**	*18,899*
Depreciation of tangible fixed assets held under finance leases	**10,737**	*10,736*
Profit on disposal of tangible fixed assets	**(259)**	*(6,432)*
Other operating lease rentals	**60,545**	*47,520*
Defined contribution pension cost	**136,794**	*126,740*

7. Auditors' remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	16,250	16,250

Fees payable to the company's auditor and its associates in respect of:

Other services	2,800	2,800

8. Employees

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

	2020	2019
	£	£
Wages and salaries	3,031,767	2,831,256
Social security costs	331,633	316,055
Cost of defined contribution scheme	136,794	126,740
	3,500,194	3,274,051

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

	2020	2019
	No.	No.
Administration	17	16
Construction and development work	55	49
	72	65

9. Directors' remuneration

	2020	*2019*
	£	*£*
Directors' emoluments	294,377	*294,030*
Company contributions to defined contribution pension schemes	27,300	*27,300*
	321,677	*321,330*

During the year retirement benefits were accruing to 3 directors *(2019 - 3)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £101,994 *(2019 - £101,849)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £ 9,500 *(2019 - £9,500)*.

10. Interest receivable

	2020	*2019*
	£	*£*
Other interest receivable	3,884	*5,902*

11. Interest payable and similar expenses

	2020	*2019*
	£	*£*
Finance leases and hire purchase contracts	2,355	*3,015*

12. Taxation

	2020	*2019*
	£	*£*
Corporation tax		
Current tax on profits for the year	44,877	*159,030*
Adjustments in respect of previous periods	-	*(13,536)*
Total current tax	44,877	*145,494*
Deferred tax		
Origination and reversal of timing differences	5,579	*(3,462)*
Taxation on profit on ordinary activities	50,456	*142,032*

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2019 - lower than)* the standard rate of corporation tax in the UK of 19% *(2019 - 19%)*. The differences are explained below:

	2020	*2019*
	£	*£*
Profit on ordinary activities before tax	347,735	*788,539*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	66,070	*149,822*
Effects of:		
Expenses not deductible for tax purposes	6,521	*4,773*
Capital allowances for year in excess of depreciation	-	*1,053*
Adjustments to tax charge in respect of prior periods	-	*(13,536)*
Other timing differences leading to an increase (decrease) in taxation	(22,135)	*-*
Changes in provisions leading to an increase (decrease) in the tax charge	-	*(95)*
Changes in tax rates	-	*15*
Total tax charge for the year	50,456	*142,032*

Factors that may affect future tax charges

The UK Government announced their plan to increase the main rate of Corporation Tax to 25% from April 2023 at the 2021 budget.

Notes to the Financial Statements
For the year ended 31 December 2020

13. Tangible fixed assets

	Long-term leasehold property	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2020	277,000	-	17,600	162,843	194,859	652,302
Additions	-	110,525	-	-	71,108	181,633
Disposals	-	-	-	-	(67,146)	(67,146)
At 31 December 2020	277,000	110,525	17,600	162,843	198,821	766,789
Depreciation						
At 1 January 2020	49,860	-	17,600	124,000	176,955	368,415
Charge for the year	5,540	7,368	-	13,684	21,475	48,067
Disposals	-	-	-	-	(67,146)	(67,146)
At 31 December 2020	55,400	7,368	17,600	137,684	131,284	349,336
Net book value						
At 31 December 2020	221,600	103,157	-	25,159	67,537	417,453
At 31 December 2019	*227,140*	*-*	*-*	*38,843*	*17,904*	*283,887*

The long-term leasehold property has a historical cost of £104,000 and was valued at £277,000 on 31 December 2010 by Jacobs (Manchester) UK Limited, who are independent qualified surveyors. The basis of the valuation is open market value for existing use. The directors are not aware of any material change in value and therefore the valuation has not been updated.

If the land and buildings had not been included at valuation, they would have been included under the historical cost convention at a net book value of £62,400 *(2019 - £64,480)*.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020	*2019*
	£	*£*
Motor vehicles	21,472	*32,209*

Notes to the Financial Statements
For the year ended 31 December 2020

14. Fixed asset investments

	Other fixed asset investments
	£
Cost or valuation	
At 1 January 2020	**295,941**
At 31 December 2020	**295,941**
Net book value	
At 31 December 2020	**295,941**
At 31 December 2019	*295,941*

15. Stocks

	2020	*2019*
	£	*£*
Work in progress	**64,150**	*2,579,750*

No impairment loss was recognised in costs of sales against stock during the current year or prior year.

16. Debtors

	2020	*2019*
	£	*£*
Trade debtors	**6,605,667**	*5,228,834*
Amounts owed by group undertakings	**8,215,833**	*8,205,621*
Other debtors	**870,836**	*231,113*
Prepayments and accrued income	**134,033**	*153,659*
Deferred taxation	**-**	*3,340*
	15,826,369	*13,822,567*

An impairment loss of £nil *(2019 - £16,022)* was recognised against trade debtors in the year.

Notes to the Financial Statements
For the year ended 31 December 2020

17. Cash and cash equivalents

	2020	*2019*
	£	*£*
Cash at bank and in hand	**4,093,998**	*4,232,390*

18. Creditors: Amounts falling due within one year

	2020	*2019*
	£	*£*
Trade creditors	**5,471,003**	*5,614,842*
Corporation tax	**44,877**	*159,030*
Other taxation and social security	**117,399**	*133,868*
Obligations under finance lease and hire purchase contracts	**13,964**	*12,585*
Other creditors	**56,332**	*70,117*
Accruals and deferred income	**4,291,470**	*5,101,031*
	9,995,045	*11,091,473*

Net obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

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

	2020	*2019*
	£	*£*
Net obligations under finance leases and hire purchase contracts	**2,461**	*16,425*

Net obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020	*2019*
	£	*£*
Within one year	**14,940**	*12,585*
Between 1-5 years	**2,490**	*16,425*
	17,430	*29,010*

Notes to the Financial Statements
For the year ended 31 December 2020

21. Deferred taxation

	2020 £	*2019 £*
At beginning of year	**3,340**	*(122)*
(Charged)/Credited to profit or loss	**(5,579)**	*3,462*
At end of year	**(2,239)**	*3,340*

The deferred taxation balance is made up as follows:

	2020 £	*2019 £*
Accelerated capital allowances	**(24,523)**	*(2,813)*
Other timing differences	**22,284**	*6,153*
	(2,239)	*3,340*

22. Provisions

	Contract provisions £
At 1 January 2020	**933,250**
Charged to profit or loss	**704,750**
Utilised in year	**(410,500)**
At 31 December 2020	**1,227,500**

Contract provisions include defect, warranty and other provisions on construction contracts that are ongoing or have reached practical completion.

23. Share capital

	2020 £	*2019 £*
Allotted, called up and fully paid		
1,000 *(2019 - 1,000)* Ordinary shares of £1.00 each	**1,000**	*1,000*

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends or the repayment of capital.

Notes to the Financial Statements
For the year ended 31 December 2020

24. Reserves

Profit and loss account

Profit and loss account - includes all current and prior period retained profits and losses. Included within retained earnings is an amount of £150,880 *(2019 - £154,340)* in respect of revaluations of land and buildings, net of depreciation recognised in the profit and loss account in excess of depreciation applicable under the historical cost convention.

25. Contingent liabilities

At the 31 December 2020 there existed performance bonds and similar agreements entered into in the normal course of business totalling £3,200,992 *(2019 - £2,750,946)*.

26. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £136,794 *(2019 - £126,740)*. Contributions totalling £18,284 *(2019 - £32,383)* were payable to the fund at the balance sheet date.

27. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	*2019*
	£	*£*
Not later than 1 year	**53,000**	*17,040*
Later than 1 year and not later than 5 years	**212,000**	-
Later than 5 years	**507,917**	-
	772,917	*17,040*

Notes to the Financial Statements
For the year ended 31 December 2020

28. Related party transactions

The following transactions occurred during the year, and balances existed at the year end date, with companies related by common control and/or common directorship.

	2020	*2019*
	£	*£*
Sales	**6,955,563**	*10,852,930*
Debtors	**3,961,007**	*2,833,981*
Creditors	**(573,990)**	*(1,579,020)*
Rent	**(22,979)**	-

In preparing these financial statements, the directors have taken advantage of the exemption available under section 33 paragraph 1A of the Financial Reporting Standard 102, and have not disclosed transactions entered into between wholly owned group undertakings.

29. Controlling party

The immediate parent undertaking is Rowlinson Holdings Limited, a company registered in England.

The ultimate parent undertaking is Rowcon Limited, a company registered in England. Rowcon Limited is the parent company for the largest group for which accounts are prepared.

The consolidated financial statements of this group are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, C14 3UZ.

The ultimate parent company is jointly controlled by its directors.