

Company Registration No. 03690805 (England and Wales)

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

COMPANY INFORMATION

Directors	A P Leigh I M Leigh
Secretary	Mr I M Leigh
Company number	03690805
Registered office	141 Chapel Lane Coppull Chorley PR7 4ND
Auditor	R P Smith & Co 2 Southport Road Chorley Lancashire PR7 1LB
Accountants	Ryans Chartered Accountants 67 Chorley Old Road Bolton BL1 3AJ
Bankers	National Westminster Bank plc 46 Market Street Chorley PR7 2RZ

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 27

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Fair review of the business

The company's principal activities during the year continued to be that of civil engineering, specialising in groundworks for new housing developments, including roads and sewers, foundations, slabs, drainage, services and externals.

The year ended 31 March 2021 reported turnover of £17.01m, a fall of 25.0%; however, the gross profit margin increased to 13.53% compared with 9.8% in 2019-20. This is due to operational changes implemented by the Directors together with a strategic decision to focus on a fewer number of larger sites.

The balance sheet position remains strong, however net assets reports a reduction from £2.9m to £1.8m as at 31 March 2021. During the year, a group reconstruction was carried out whereby the shares of the company were acquired by Matthews & Leigh Holdings Limited. As at 31 March 2021, Matthews & Leigh Holdings Limited reports net assets amounting to £1.66m.

Principal risks and uncertainties

Brexit

The Directors have considered the continuing risks associated with UK's exit from the European Union and have concluded that there is not a significant risk of disruption to the business.

COVID-19

The start of the 2020-21 accounting period coincided with the start of the first national lockdown imposed as a result of the coronavirus pandemic. Inevitably this impacted activity and turnover in April 2020, however this quickly recovered once construction sites reopened.

The Directors are pleased to report that since this initial period, turnover has been in accordance with expectations and have been reported improved profitability.

At the start of the pandemic, as part of their ongoing commitment to health and safety, the Directors swiftly introduced rigorous COVID-19 procedures to ensure the safety of the company's staff, workers and customers.

Financial risk management

The company's policy is to ensure that adequate and cost effective arrangements are maintained to finance current and future activities and that exposure to financial risk is minimised.

Liquidity and funding

The company is financed by agreed bank facilities and makes efforts to manage the financial risk by the monitoring of cash flow to ensure that the company is able to meet foreseeable debts as they fall due.

During the year the company secured a loan under the Coronavirus Business Interruption Scheme (CBILS) to ensure minimal disruption as a result of the coronavirus pandemic.

Interest rate risk

The company is subject to the risk of increases in the base rate of interest which would impact its borrowing costs, however the Directors do not believe there is a significant risk of material adverse movements in interest rates.

Credit risk

To control credit risk from trade debtors, limits are set based on a combination of trade history and third party credit references and are reviewed regularly by the company directors.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)


FOR THE YEAR ENDED 31 MARCH 2021

Key performance indicators

The company's key performance indicators were as follows:

	2021 £'000	2020 £'000	Change %
Turnover	17,008	22,663	(25%)
Gross profit as % of turnover	13.53%	9.80%	38%
Operating profit	1,093	1,029	6%
Profit before taxation	1,035	984	5%
Profit before taxation as % of turnover	6.09%	4.34%	40%
Shareholders' funds	1,809	2,920	(38%)
Number of employees	43	40	8%

On behalf of the board


.....
I M Leigh
Director
.....17-12-2021

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the company continued to be that of civil engineers.

Results and dividends

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

Ordinary dividends were paid amounting to £2,000,000. The directors do not recommend payment of a final dividend.

Directors

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

A P Leigh

I M Leigh

Auditor

R P Smith & Co were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed 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.

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.

Information disclosed in the Strategic Report

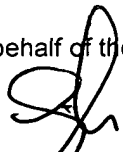
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the summary of principal risks and uncertainties, together with details of other risk assessments and management.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the board



.....
I M Leigh
Director

Date: 17.12.21

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

Opinion

We have audited the financial statements of Matthews & Leigh Civil Engineering Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

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 and the directors' report.

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

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

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.

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.

The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;

- We identified the laws and regulations applicable to the charitable company through discussions with Directors and other management, and from our commercial knowledge and experience of the sector;
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, employment, environmental and health and safety legislation;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative or potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with relevant regulators and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.


MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

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.



Kieran Brophy ACA (Senior Statutory Auditor)
For and on behalf of R P Smith & Co

Date: 23 December 2021

Chartered Accountants
Statutory Auditor

2 Southport Road
Chorley
Lancashire
PR7 1LB

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	17,008,281	22,663,394
Cost of sales		(14,706,387)	(20,442,365)
Gross profit		2,301,894	2,221,029
Administrative expenses		(1,387,557)	(1,236,200)
Other operating income		178,828	44,104
Operating profit	4	1,093,165	1,028,933
Interest receivable and similar income	7	261	1,695
Interest payable and similar expenses	8	(58,356)	(47,128)
Profit before taxation		1,035,070	983,500
Tax on profit	9	(145,956)	(188,568)
Profit for the financial year		889,114	794,932

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

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	11		74,248		88,519
Current assets					
Stocks	12	306,169		196,057	
Debtors	13	5,725,277		6,089,886	
Cash at bank and in hand		6,452		5,343	
		<u>6,037,898</u>		<u>6,291,286</u>	
Creditors: amounts falling due within one year	14	<u>(3,209,935)</u>		<u>(3,080,126)</u>	
Net current assets			2,827,963		3,211,160
Total assets less current liabilities			2,902,211		3,299,679
Creditors: amounts falling due after more than one year	15		(818,419)		(255,804)
Provisions for liabilities					
Provisions	17	275,081		124,276	
		<u>(275,081)</u>		<u>(124,276)</u>	
Net assets			<u>1,808,711</u>		<u>2,919,599</u>
Capital and reserves					
Called up share capital	20		3,000		3,002
Capital redemption reserve			2		-
Profit and loss reserves			1,805,709		2,916,597
Total equity			<u>1,808,711</u>		<u>2,919,599</u>

The financial statements were approved by the board of directors and authorised for issue on 17-12-2021 and are signed on its behalf by:

A P Leigh
Director

I M Leigh
Director

Company Registration No. 03690805

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2019		3,002	-	2,121,665	2,124,667
Year ended 31 March 2020:					
Profit and total comprehensive income for the year		-	-	794,932	794,932
Balance at 31 March 2020		3,002	-	2,916,597	2,919,599
Year ended 31 March 2021:					
Profit and total comprehensive income for the year		-	-	889,114	889,114
Dividends	10	-	-	(2,000,000)	(2,000,000)
Redemption of shares	20	-	2	(2)	-
Reduction of shares	20	(2)	-	-	(2)
Balance at 31 March 2021		3,000	2	1,805,709	1,808,711

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	25	1,248,812		990,646	
Interest paid		(58,356)		(47,128)	
Income taxes refunded/(paid)		12,576		(285,075)	
Net cash inflow from operating activities		1,203,032		658,443	
Investing activities					
Purchase of tangible fixed assets		(6,386)		(14,941)	
Interest received		261		1,695	
Net cash used in investing activities		(6,125)		(13,246)	
Financing activities					
Redemption of shares		(2)		-	
Proceeds of new bank loans		1,000,000		-	
Repayment of bank loans		(183,641)		(276,662)	
Dividends paid		(2,000,000)		-	
Net cash used in financing activities		(1,183,643)		(276,662)	
Net increase in cash and cash equivalents		13,264		368,535	
Cash and cash equivalents at beginning of year		(39,938)		(408,473)	
Cash and cash equivalents at end of year		(26,674)		(39,938)	
Relating to:					
Cash at bank and in hand		6,452		5,343	
Bank overdrafts included in creditors payable within one year		(33,126)		(45,281)	

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Matthews & Leigh Civil Engineering Limited is a private company limited by shares incorporated in England and Wales. The registered office is 141 Chapel Lane, Coppull, Chorley, PR7 4ND.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

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

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and also in relation to the increase in value on contracts. It is shown net of VAT and other sales related taxes.

Revenue from contracts for the provision of construction 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 measurement of work completed in comparison to the total contract value. 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.

1.4 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:

Improvements to property	10% on cost
Plant and machinery	33% on cost, 20% on reducing balance and 20% on cost
Fixtures and fittings	33% on cost and 20% on reducing balance
Computer equipment	33% on cost

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.

1.5 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.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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

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

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

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Stocks comprise work in progress and goods held for future use on projects.

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

1.7 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.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including 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.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Other financial liabilities

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

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

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.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.12 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.

1.13 Retirement benefits

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

1.14 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.

1.15 Government grants

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

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

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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.

Rectification provision

The Directors consider that the main area of estimation uncertainty is in relation to the rectification provision. This provision is based upon their judgement of costs that would be incurred in order to receive retention payments in full.

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Civil engineering - groundworks, roads and sewers	17,008,281	22,663,394
	<u>17,008,281</u>	<u>22,663,394</u>
	2021 £	2020 £
Turnover analysed by geographical market		
UK	17,008,281	22,663,394
	<u>17,008,281</u>	<u>22,663,394</u>
	2021 £	2020 £
Other significant revenue		
Interest income	261	1,695
Grants received	147,019	3,546
	<u>147,019</u>	<u>3,546</u>

4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(147,019)	(3,546)
Fees payable to the company's auditor for the audit of the company's financial statements	13,000	13,000
Depreciation of owned tangible fixed assets	19,811	17,983
Loss on disposal of tangible fixed assets	846	-
Operating lease charges	64,720	64,476
	<u>64,720</u>	<u>64,476</u>

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

5 Employees

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

	2021 Number	2020 Number
Direct	28	26
Management and administration	15	14
Total	43	40

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,302,363	1,160,597
Social security costs	120,671	106,385
Pension costs	152,827	71,675
	1,575,861	1,338,657

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	20,000	20,000
Company pension contributions to defined contribution schemes	60,226	20,231
	80,226	40,231

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2).

7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	2	11
Other interest income	259	1,684
Total income	261	1,695

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

(Continued)

7 Interest receivable and similar income

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	2	11
--	---	----

8 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	58,356	44,145
Other interest on financial liabilities	-	2,983
	<u>58,356</u>	<u>47,128</u>

9 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	197,279	188,568
Adjustments in respect of prior periods	(49,496)	-
Total current tax	<u>147,783</u>	<u>188,568</u>
Deferred tax		
Origination and reversal of timing differences	(1,827)	-
Total tax charge	<u>145,956</u>	<u>188,568</u>

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9 Taxation

(Continued)

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

	2021 £	2020 £
Profit before taxation	1,035,070	983,500
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	196,663	186,865
Tax effect of expenses that are not deductible in determining taxable profit	542	287
Adjustments in respect of prior years	(49,496)	-
Depreciation on assets not qualifying for tax allowances	1,612	1,605
Under/(over) provided in prior years	(1,315)	-
Deferred tax adjustments in respect of prior years	(2,050)	-
Deferred tax (charge)/credit not included	-	(189)
Taxation charge for the year	145,956	188,568

10 Dividends

	2021 £	2020 £
Interim paid	2,000,000	-

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

11 Tangible fixed assets

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 April 2020	86,526	17,358	63,271	39,969	207,124
Additions	1,676	-	2,500	2,210	6,386
Disposals	-	-	(3,225)	(1,828)	(5,053)
At 31 March 2021	88,202	17,358	62,546	40,351	208,457
Depreciation and impairment					
At 1 April 2020	35,177	15,343	43,286	24,799	118,605
Depreciation charged in the year	8,486	1,070	3,870	6,385	19,811
Eliminated in respect of disposals	-	-	(2,379)	(1,828)	(4,207)
At 31 March 2021	43,663	16,413	44,777	29,356	134,209
Carrying amount					
At 31 March 2021	44,539	945	17,769	10,995	74,248
At 31 March 2020	51,349	2,015	19,985	15,170	88,519

12 Stocks

	2021 £	2020 £
Raw materials and consumables	306,169	196,057

13 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	3,294,778	3,352,017
Other debtors	252,817	300,601
Prepayments and accrued income	18,863	7,306
	3,566,458	3,659,924
Deferred tax asset (note 18)	1,827	-
	3,568,285	3,659,924

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

13 Debtors (Continued)

	2021 £	2020 £
Amounts falling due after more than one year:		
Trade debtors	2,156,992	2,429,962
Total debtors	5,725,277	6,089,886

14 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	16	579,985	338,396
Trade creditors		1,937,510	2,541,396
Amounts owed to group undertakings		310,000	-
Corporation tax		197,280	36,921
Other taxation and social security		46,514	57,143
Other creditors		18,885	26,050
Accruals and deferred income		119,761	80,220
		3,209,935	3,080,126

15 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	16	818,419	255,804
Amounts included above which fall due after five years are as follows:			
Payable by instalments		16,666	-

16 Loans and overdrafts

	2021 £	2020 £
Bank loans	1,365,278	548,919
Bank overdrafts	33,126	45,281
	1,398,404	594,200
Payable within one year	579,985	338,396
Payable after one year	818,419	255,804

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

16 Loans and overdrafts

(Continued)

The overdraft and long-term loans are secured by fixed and floating charges over the trade and assets of the company, together with personal guarantees given by the Directors. Interest is payable on the three year bank loan at a rate of 3.7% above the base rate for the Bank of England.

On 30 April 2020, the company was advanced a loan under the Coronavirus Business Interruption Loan Scheme (CBILS) amounting to £1m. The loan is repayable within 6 years, with no repayments or interest due in the first 12 months.

17 Provisions for liabilities

	2021 £	2020 £
Rectification provision	275,081	124,276
Movements on provisions:		
		Rectification provision £
At 1 April 2020		124,276
Additional provisions in the year		150,805
At 31 March 2021		275,081

The rectification provision relates to the Directors' estimate of costs required to be met in order to ensure that retention payments due to the company are received in full.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2021 £	Assets 2020 £
Balances:		
Accelerated capital allowances	1,827	-
Movements in the year:		2021 £
Liability at 1 April 2020		-
Credit to profit or loss		(1,827)
Asset at 31 March 2021		(1,827)

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

19 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	152,827	71,675

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.

20 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary of £1 each	3,000	3,000	3,000	3,000
Ordinary - deferred B of £1 each	-	1	-	1
Ordinary - deferred C of £1 each	-	1	-	1
	3,000	3,002	3,000	3,002

On 3 April 2020, the 1 £1 deferred B share in issue and the 1 £1 deferred C share in issue were cancelled and redeemed by the company. On the same day, the entire ordinary share capital was acquired by Matthews & Leigh Holdings Limited. The company remains under the control of the Directors by virtue of their interest in the share capital of that company.

21 Operating lease commitments

Lessee

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

	2021	2020
	£	£
Within one year	9,000	9,000

22 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Purchases	2020
	2021	£
	£	
Entities with control, joint control or significant influence over the company	2,415,254	2,377,485

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

22 Related party transactions

(Continued)

	Rent paid		Management and cost recharges received	
	2021	2020	2021	2020
	£	£	£	£
Entities with control, joint control or significant influence over the company	-	-	181,109	122,275
Key management personnel	37,500	36,000	-	-
	<u>37,500</u>	<u>36,000</u>	<u>-</u>	<u>-</u>

The following amounts were outstanding at the reporting end date:

	2021	2020
	£	£
Amounts due to related parties		
Entities with control, joint control or significant influence over the company	702,847	402,016
Key management personnel	25,256	34,198
	<u>728,103</u>	<u>436,214</u>

The following amounts were outstanding at the reporting end date:

	2021	2020
	£	£
Amounts due from related parties		
Entities with control, joint control or significant influence over the company	83,705	73,519
	<u>83,705</u>	<u>73,519</u>

23 Directors' transactions

Dividends totalling £0 (2020 - £0) were paid in the year in respect of shares held by the company's directors.

The Directors have provided personal guarantees as security of the company's borrowings up to £1.1m.

24 Ultimate controlling party

On 3 April 2020, the entire ordinary share capital was acquired by Matthews & Leigh Holdings Limited. The company remains under the control of the Directors by virtue of their interest in the share capital of that company.

MATTHEWS & LEIGH CIVIL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

25 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	889,114	794,932
Adjustments for:		
Taxation charged	145,956	188,568
Finance costs	58,356	47,128
Investment income	(261)	(1,695)
Loss on disposal of tangible fixed assets	846	-
Depreciation and impairment of tangible fixed assets	19,811	17,983
Increase/(decrease) in provisions	150,805	(6,246)
Movements in working capital:		
(Increase)/decrease in stocks	(110,112)	153,801
Decrease in debtors	366,436	283,460
Decrease in creditors	(272,139)	(487,285)
Cash generated from operations	1,248,812	990,646

26 Analysis of changes in net debt

	1 April 2020 £	Cash flows £	31 March 2021 £
Cash at bank and in hand	5,343	1,109	6,452
Bank overdrafts	(45,281)	12,155	(33,126)
	(39,938)	13,264	(26,674)
Borrowings excluding overdrafts	(548,919)	(816,359)	(1,365,278)
	(588,857)	(803,095)	(1,391,952)