

TOLENT PLC

Report and Financial Statements For the year ended 31st December 2019



TOLENT PLC

Annual report and financial statements for the year ended 31st December 2019

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TOLENT PLC

Directors, Secretary and Registered Office

Directors

C. Anderson	Non Executive Chairman
A.I. McLeod	Chief Executive Officer
P.W. Webster	Chief Operating Officer
A.D. Clark	Chief Financial Officer
I.M. Lawson	Non Executive Director
O.A.J. Aebi	Non Executive Director

Secretary

A.D. Clark

Registered Office

Ravensworth House
5th Avenue Business Park
Tyne and Wear
Team Valley
Gateshead
NE11 0HF
e-mail: info@tolent.co.uk
Web site: www.tolent.co.uk

Registrar

Link Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
1 Holly Street
Sheffield
S1 2GT

Registered in England : Company Number - 03819314

A year of mixed fortunes

2019 has seen significant progress across the group. There have been a number of substantial contract wins and we have made very real progress in implementing the strategy that I referred to last year, including many operational and procedural improvements. In addition we have launched a refresh of the Tolent brand, including a revamped website and our social media presence is now a strength of the business.

We also addressed one of our more difficult challenges in announcing the decision to terminate the operations of our Southern Region shortly before the year end. Needless to say this was not a decision taken lightly. The region had been under review for some time as a result of disappointing performances over a number of years. The board concluded that the probability of being able to deliver a consistently attractive performance in that region when compared to the opportunities available elsewhere in the group did not justify the requisite management time and financial resources.

While the decision to close the business has significantly impacted the financial performance in 2019, I firmly believe it is important to emphasise the considerable success and strong performance elsewhere in the business.

On the subject of strong performance, it would be remiss of me not to mention the group's continuing excellent health and safety record demonstrated by our Accident Incident Rate being far below the industry average as published by the Health & Safety Executive. This is a credit not just to our health and safety team but to all operatives across the group, led very actively by the executive management team.

Results

Poor trading in the Southern region, compounded by the costs associated with the decision to close down that regional business, has significantly impacted what would otherwise have been a very encouraging performance across the rest of the group. This reduced the profit before tax of £3.5m to a loss of £859,000. The total comprehensive profit of £77,000 reflects the taxation benefit from the recognition of deferred tax.

What is, however, very encouraging is the growth in both turnover and profit in the rest of the business relative to the prior year, including the Southern business. On that comparison turnover and operating profit increased by £13m (9.8%) and £1.2m (52%) respectively. While profits are important, cash is essential, and in that regard the cash flow performance has been consistently strong throughout the year.

Dividends

I am pleased to report that the Directors were in a position to recommend the payment of a final dividend in August 2019 of 2 pence per share in respect of the year ended 31st December 2018. In addition an interim dividend of 2 pence per share in relation to the year ended 31st December 2019 was paid in December 2019 (2018 - 2 pence). Given the overall outturn the Directors do not propose the payment of a final dividend in relation to the year ended 31st December 2019. We appreciate that this is disappointing given that dividend payments have only recently recommenced but it is also considered prudent management of the group balance sheet. The Directors propose to move to a policy of a single final dividend payment for future accounting periods.

Outlook

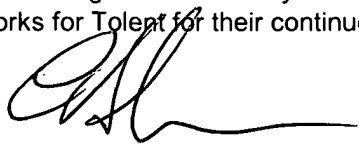
We have entered 2020 with a very strong order book and many very attractive prospects. The strategy developed in 2019 will continue to deliver further improvements across the business including improvements in quality processes and rigour in their application. While there are a number of ongoing issues to be addressed to ensure an orderly wind down of the Southern region we are reasonably confident that this can be achieved within the cost parameters provided in the 2019 results, albeit this will continue to stretch management resources in the first half of the current year.

Overall we now have a much more robust foundation upon which to build the group's profitable growth for the long term.

Since the year end we have of course been faced with the emerging Covid 19 crisis. Sections 2 and 4 of the strategic report provide more detail on the board's assessment of the likely impact of this on the business, the actions being taken to limit such impact, which will nonetheless undoubtedly constrain profitability, and to secure the group's future. Needless to say the more robust foundation that we now have in terms of both our trading platform and liquidity are key in this regard. The topic of Brexit is also still very much on the agenda, particularly given recent concerns regarding the possibility of a "no-deal".

Our people

Finally, I would like to pay tribute to the resilience of the team right across the business, in particular the manner in which those directly affected by the closure of the Southern operations have conducted themselves and the extremely supportive behaviour of the entire team in the wake of the Covid crisis. I would also like to take this opportunity to recognise the outstanding efforts and contribution of those who worked on the construction of the Nightingale hospital in Washington which was completed in just 3 weeks, working 24 hours a day and 7 days a week. On behalf of my board colleagues I thank everyone who works for Tolent for their continued support.



C. Anderson

Non Executive Chairman

17th July 2020

1. Principal activities

The Group is principally engaged in the construction industry in the United Kingdom. The Group is also involved in property development, including holding investment properties and properties used by member companies of the Tolent PLC group.

The Company is principally engaged in the activity of a holding company and the provision of management services to its subsidiaries.

2. Business Review

Overall review and results for the period

2019 has seen a significant number of projects commencing on site, previously delayed from 2018, resulting in the increased turnover in the year. This improvement was also reflected in the secured order book which stood at £171m at the start of 2020. The construction sector of the economy continues to remain competitive with some notable household names being forced to close in the current market. The directors believe that the additional uncertainty created by the Brexit process can be successfully managed by the company and the industry as a whole now that the decision to leave was ratified as at 31st January 2020. That said, with the prospect of "no deal" rearing its head once more, this is a topic which will be kept very much under review. Since then Covid 19 has emerged as the most significant uncertainty facing the group of which more is said in section 4 of this report under Risks and uncertainties.

The decision was made in November 2019 to suspend all new construction projects delivered via our southern business unit, whilst committing to completing the current projects on site. This decision is due mainly to economic conditions and an overly competitive marketplace. The decision has been taken after careful consideration and in the best interests of the wider business. Whilst regrettable, we believe that it will ultimately strengthen Tolent Construction. Our current commercial position is stronger than it has been for some years, with current and future workload across our core, northern business units, remaining healthy and in line with our strategic goals in terms of both turnover and margin. The results and restructuring provisions in relation to the southern region have been disclosed as an activity due to cease in the statement of comprehensive income.

Operating margins, excluding investment property revaluations and activities due to cease, have increased from £2.3m to £3.7m.

The overall loss on revaluation of investment properties was £150,000 (2018 loss £550,000). Of the 2018 revaluation provision, £460,000 related to the residential development held within Tolent Homes, based on the potential shortfall in recoverability of the property value in the regionally depressed market. The Group continues to divest itself of this residential development, disposing of 45% of the apartments within this property during 2019 and therefore it continues to be disclosed as an activity due to cease in the statement of comprehensive income.

The continuing operations generated an operating profit of £3,535,000 in 2019 compared to £2,230,000 in 2018.

Net interest payable this year of £31,000 compared to an interest receivable of £3,000 in 2018. The continuing operations profit before tax of £3,537,000 compared to £2,279,000 in 2018.

The tax credit in the year of £936,000 is due mainly to the recognition of the deferred tax asset and the utilisation of brought forward trading losses for corporation tax purposes.

The total comprehensive profit after tax of the continuing operations were £3,633,000 (£77,000 after activities due to cease) compared with a profit of £1,998,000 in 2018 (£1,517,000 after activities due to cease).

At the year end the Group had cash funds in hand of £27.1m compared with £11.7m at the end of 2018. It is worth noting that this figure is an integral part of the working capital of the business and is expected to fluctuate both up and down throughout the year depending upon the type and quantity of work in progress at any point in time. In addition to the above the Group had borrowings at the year end of £1.2m (2018: £1.7m) relating to investment properties.

Construction activities**Tolent Construction Limited**

In 2019 Tolent continued to operate across the construction sector providing services in commercial building, civil engineering, social and domestic housing and property development, concentrating on its areas of strength and targeted markets which offered the most attractive future opportunities. Our objective is to continue to achieve our maximum potential in each of these activities by maintaining our focus on quality, value for money and delivering our services in a non-adversarial customer friendly

Our success is underpinned by the quality of the people involved in our business together with subcontractors and suppliers who share our ethos of providing a pro-active and responsive service that meets or exceeds our customers' demands. This policy has resulted in a high level of repeat business from an ever expanding customer base. Our belief that people are our most precious asset is supported by our commitment to training and personnel development. This will ensure that our long term objectives can be delivered to customers on a consistent basis. This is reflected in Tolent Construction Limited being ISO:9001:2015 - Quality Management System, accredited.

We operate from five offices on a national basis with work generated across a number of different sectors including industrial, commercial, residential, petro-chemical, specialist fit out, civil, public and health sectors. This affords some protection against any down turn in activity in certain markets with the regional spread giving some protection against regional variations. As in previous years we have successfully completed several major projects. The variety of work carried out can best be demonstrated by projects undertaken during the year, some of which continue as work in progress:

- Commencement of a mixed use scheme at Milburngate in Durham (£84.4m)
- A high rise residential scheme in Newcastle (£26.1m)
- Work for Sterling Pharmaceuticals (£6.4m)
- A hotel for Hilton in Torquay (£20.2m)
- Residential scheme in London at Hackney Road (£25.3m)
- Student accommodation at Burley Street in Leeds (£9.5m)
- Civils work for propane storage in Teesside (£11m)
- Residential care schemes at Great Ayton (£7.9m) and Filey (£9.3m)
- Residential scheme at Sweet Street in Leeds (£23.3m)

Tolent Living Limited and Tolent Solutions Limited

The companies are principally engaged in building and construction activities in the residential and related markets including new build construction, refurbishment and maintenance of properties. Clients include a range of social housing providers, local councils and private residential developers. The projects undertaken during the year, some of which are ongoing, include:

- 82 units at North Shore Phase 3, Stockton (£10.6m)
- Phase 1 annuity scheme for Newcastle City Council (5 sites £20.6m)
- 67 units for Chapter Homes at Oakerside (£9.5m)
- development of 100 units at Salters Lane (£21m)
- 38 units at Hexham for Karbon Homes (£5.8m)
- 2 schemes for Newcastle City Council at Hartburn and Scotswood (£14.8m)
- Various residential Schemes for Livin (£3.5m)

Overall the current residential market continues to be buoyant with housing, and particularly social housing, being prioritised by successive Governments. Despite the effective closure of this market in the initial stages of Covid there has been an encouraging return of demand over the recent period.

Quality Assurance and Health and Safety

A programme of continuous improvement in Health and Safety management and staff training has resulted in an excellent safety record. This has been recognised by annual Order Of Distinction Awards from the Royal Society for the Prevention of Accidents (RoSPA). The Accident Incident Rate (AIR) was 65.3 (2018- 232.2) per 100,000 hours. This rate compares favourably with the national average for the construction industry according to the Health and Safety Executive statistics of 358 per 100,000 hours (AIR). In 2019 643 'off job' days (2018 - 674) of health and safety training has been delivered with a total of 575 (2018 - 518) site visits and audits being completed in addition to 13 site visits from HSE Inspectors. We are accredited under ISO 9001:2015 overall Quality Management Systems along with OHSAS 18001 for implementing, maintaining and continually improving our Occupational Health and Safety (OH&S) management system that eliminates or minimises risk to employees and other interested parties who may be exposed to OH&S risk associated with our activities. The safety accreditation is currently being migrated to ISO 450001. In addition we have maintained accreditation ISO 14001:2015 for our environmental management system which identifies and controls the environmental impact of our activities, products or services, continually improves our environmental performance and implements a systematic approach to setting environmental objectives. We are also accredited under ISO 50001 for Energy Management which encourages organizations to integrate energy management into their overall efforts to improve quality and environmental management.

Property development and investment activities**Ravensworth Properties Limited**

Ravensworth operates in the office letting market at purpose built office parks. The standards being offered in the market place are continually reviewed with improvements being made where necessary to the property stock. The strategy is to secure tenants with good covenant strength for lease periods in excess of three years.

Tolent Living Limited and Tolent Solutions Limited occupy one office owned by Ravensworth and the continued success of these companies has a direct bearing on the results of Ravensworth. The Directors consider the result for the year to be satisfactory.

The space available to let during the year was 44,300 sq. ft. No properties were acquired during 2019. The occupancy rate for 2019 was 89% (2018 - 87%). One unit (2 lettable areas) on the Team Valley Industrial Estate is currently vacant. The properties are actively marketed and there continues to be interest in their letting.

One property was in the process of being disposed off at the year end, with contracts exchanged on 16th December 2019 and completed on 17th January 2020. This was reclassified as an asset held for sale at the year end.

The company has funding against the properties within Ravensworth in the form of a 3 year term loan, with interest and capital repayments, expiring in February 2022.

Tolent Homes Limited

In 2018 the Directors made the decision to dispose of the 45 units in the Echo Buildings apartment block in Sunderland. The apartments remain available for rental during this disposal process. An agreement has been reached with a purchaser to sell all the apartments in tranches with the first 20 apartments being sold in 2019 and the remaining sales to be completed in 2020.

Future residential developments are currently being considered for Tolent Homes Limited

Coolmore Land Limited

The company is principally engaged in the property development of a 200 acre site adjacent to the A19 in Seaham, North East England. The site has achieved outline planning permission for the construction of 1,500 residential units along with the provision of other facilities to create a Garden Village. Progress has been made during 2019 across all elements of the development which we hope will see a commencement on site in late 2020.

3. Key Performance Indicators

The Directors monitor a number of key performance indicators by which they assess business performance. These include the financial criteria of turnover, operating margin and profit before tax along with non-financial criteria of accident frequency rates, days of health and safety training delivered and site visits and occupancy rates of the property operations.

4. Risks and uncertainties

Brexit

The directors believe that the additional uncertainty created by the Brexit process can be successfully managed by the company and the industry as a whole now that the decision to leave was ratified as at 31st January 2020. That said, with the prospect of "no deal" rearing its head once more, this is a topic which will be kept very much under review. Since then Covid 19 has emerged as the most significant uncertainty facing the group.

Covid 19

The Board has considered the current and ongoing potential impact of the COVID 19 outbreak, based on the information that is currently known and the Government briefings that have taken place. It recognises that there remain a large number of unknowns as to how the virus and its consequences will develop over the immediate coming months and into the short and medium terms.

A review, region by region, has been undertaken to identify the risks, both to Tolent and third party employees and to the construction projects in terms of risks to progression of the contracts. All sites and regional offices have been assessed by our health and safety teams and are operating to the latest Government and construction industry guidelines to protect all operatives. The main risks identified in terms of project delay in the short term relate to social distancing requirements, the sub contractor supply chain, upon whom Tolent places reliance to complete projects, along with potential material shortages. The restrictions in movement across borders has led to some direct material shortages and delays in the supply of manufactured components for subcontractors. On a contract by contract basis we are continually reviewing all such risks, potential delays and impact on labour and materials. In addition the legal terms of the contracts are being closely monitored in relation to possible delays and extensions of time.

As Tolent has a significant number of its own workforce we are able to directly manage the effects of the virus by ensuring we have procedures in place to protect our employees to the fullest extent possible. The workforce has proven itself extremely adaptable and resourceful over the first few months of the virus. Clients and sub contractors have also been very supportive, allowing progress to be made across all sites in these difficult circumstances.

Tolent continues to have a well managed strong cash balance, which affords a good level of protection against downturn in workload.

On the basis of this information, the Directors confirm that, after due consideration, although there inevitably will be a negative impact on the business, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements. As the overall effect of the continued uncertainty on the Group is, at the current time, difficult to quantify, the audit opinion contains an emphasis of matter in respect of going concern as a result of Covid 19, although the audit opinion is unqualified.

Construction Risk

The key risks are the general market conditions which accompany the construction sector, loss making projects and ensuring the retention and recruitment of employees with appropriate skills. A more focused approach to work winning has been implemented and this is vital in such challenging market conditions. Further strengthening of risk management procedures and processes, particularly in relation to certain types of work, has contributed to progressing the target of reducing/eliminating loss making contracts. Action has been taken to ensure that all key positions at the business are occupied by employees with the required level of skills. Skill shortages and material price inflation continue to present challenges in the current market place and need to be managed in the tender and procurement process as well as in the production phase of contracts.

Property Risk

The property market, as shown over the last decade can be very volatile in terms of market values, rental incomes and occupancy rates. Risk analysis has now been built into project appraisals, including sensitivity analysis around rental streams, interest rates and yield factors.

5. Financial risk management objectives and policies

The Group uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the Group financial instruments are liquidity and credit risk. The Directors review and agree policies for managing these risks and they are summarised below. The policies have remained unchanged from previous periods.

Liquidity and credit risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group finances its operations through a mixture of retained profits, working capital and bank borrowings. The Group's principal financial assets are trade debtors and amounts recoverable on contracts. In order to manage the credit risk the Directors consider exposure on a customer by customer basis for significant contracts.

6. Employees

On behalf of the board of directors I would like to thank the Directors and all of the Group's employees for their efforts during 2019.

7. Approval

The Board of Directors of Tolent PLC has approved the contents of this report for the year ended 31st December 2019.

BY ORDER OF THE BOARD

A. I. McLeod

Chief Executive Officer

17th July 2020



TOLENT PLC

Report of the directors for the year ended 31st December 2019

The Directors present their report together with the audited financial statements for the year ended 31st December 2019.

1. Results and dividends

The consolidated statement of comprehensive income is set out on page 14 and shows the result for the year. A final dividend of 2 pence per share was paid in August 2019 in respect of the year ended 31st December 2018. In addition an interim dividend of 2 pence per share in relation to the year ended 31st December 2019 was paid in December 2019 (2018 – 2 pence). The Directors do not propose the payment of a final dividend in relation to the year ended 31st December 2019.

2. Directors

The Directors in office at the end of the year, all of whom served throughout the year, were Messrs C. Anderson, A. I. McLeod, P. W. Webster, A. D. Clark, O. A. J. Aebi and I. M. Lawson.

In accordance with the articles of association, which require one third of the Directors to retire each year, but not exceeding one third, Mr. C. Anderson and Mr. P. W. Webster retire by rotation and offered themselves for re-election and were duly re-elected at the Annual General Meeting held on 3rd June 2020.

The interests of the directors in shares of the company were as follows:-

	Tolent PLC ordinary 10p shares	
	31st December 2019	1st January 2019
A.D. Clark	69,848	65,856

3. Disabled persons

The Group's policy is to give sympathetic consideration, in both recruitment and training, to the problems of the disabled, and to assist them in developing their knowledge and skills to undertake greater responsibilities wherever possible.

4. Employee involvement

It is Group policy to disseminate relevant information about Group affairs amongst employees which includes the Company's internal "in.sider" magazine, Tolent's internal management information system, Twitter and LinkedIn managed accounts.

5. Substantial shareholdings

On 17th July 2020 the following shareholders had interests of 5% or more in the issued ordinary shares of the Company:

	Number	Percentage
Gutenga Investments PCC Limited	6,411,318	49.96%
Tarom Foundation	3,129,253	24.39%

6. Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report and the Report of the Directors and the Group financial statements in accordance with applicable law and regulations.

TOLENT PLC

Report of the directors for the year ended 31st December 2019 (continued)

The Directors are responsible for preparing the Report of the Directors 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 laws, 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 and 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, to make judgements and accounting estimates that are reasonable and prudent, to state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and to 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.

The Directors confirm that so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

7. Auditors

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

8. Approval

The board of directors of Tolent PLC has approved the contents of this report and financial statements for the year ended 31st December 2019.

BY ORDER OF THE BOARD



A.D. Clark
Secretary
17th July 2020

Opinion

We have audited the financial statements of Tolent PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise Consolidated statement of comprehensive income, Consolidated and parent company statement of financial position, Consolidated statement of changes in equity, Parent company statement of changes in equity, Consolidated statement of cash flows and notes to the financial statements, 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 group's and of the parent company's affairs as at 31st December 2019 and of the group's 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 group and the parent 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Material Uncertainty related to going concern

We draw attention to the disclosure on page 19 of the financial statements, which details the factors that the directors have considered in making their going concern assessment. The uncertainty as to the future impact of the Covid19 pandemic has been included as part of the directors' consideration, and they have considered the reasonably plausible impact of the pandemic on the group's trading and cash flow forecasts.

While the directors consider the group to be a going concern, the uncertainty around the magnitude of the impact of the pandemic indicated the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's 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.

TOLENT PLC

Independent auditor's Report to the members of Tolent Plc (continued)

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.

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 9 and 10, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities 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 auditor's report.

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Independent auditor's Report to the members of Tolent Plc (continued)

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.



Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
17th July 2020

TOLENT PLC

Consolidated statement of comprehensive income for the period ended 31st December 2019

	Note	2019			2018		
		Continuing	Activities	Total	Continuing	Activities	Total
		operations	due to cease		operations	due to cease	
		£'000	£'000	£'000	£'000	£'000	£'000
Group Turnover		146,606	28,143	174,749	133,411	313	133,724
Raw materials and consumables		(11,548)	(325)	(11,873)	(10,026)	0	(10,026)
Sub contract and other direct costs		(105,849)	(27,930)	(133,779)	(95,247)	0	(95,247)
		29,209	(112)	29,097	28,138	313	28,451
Staff costs	6	(22,430)	(2,569)	(24,999)	(22,566)	0	(22,566)
Depreciation	10	(161)	(4)	(165)	(174)	0	(174)
Amortisation	12	(256)	0	(256)	(248)	0	(248)
Other operating charges		(2,677)	(831)	(3,508)	(2,830)	(288)	(3,118)
Restructuring provision		0	(847)	(847)	0	0	0
		3,685	(4,363)	(678)	2,320	25	2,345
Loss from revaluation of investment property	11	(150)	0	(150)	(90)	(460)	(550)
Operating profit/(loss) before interest		3,535	(4,363)	(828)	2,230	(435)	1,795
Interest receivable	7	43	0	43	76	0	76
Interest payable	7	(41)	(33)	(74)	(27)	(46)	(73)
Profit/(Loss) before taxation	5	3,537	(4,396)	(859)	2,279	(481)	1,798
Taxation	8	96	840	936	(281)	0	(281)
Profit /(loss) after taxation		3,633	(3,556)	77	1,998	(481)	1,517
Total comprehensive profit/(loss)		3,633	(3,556)	77	1,998	(481)	1,517

Notes 1 to 28 form part of these financial statements.

TOLENT PLC

Consolidated statement of changes in equity for the period ended 31st December 2019

	Share Capital	Other Reserve	Revaluation Reserve	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1st January 2018	1,283	(256)	721	7,533	9,281
Profit after taxation for the year	0	0	0	1,517	1,517
Reserve transfer	0	0	(31)	31	0
Total comprehensive income and expense for the year	0	0	(31)	1,548	1,517
Equity dividends paid	0	0	0	(873)	(873)
Transactions with owners	0	0	0	(873)	(873)
At 31st December 2018	1,283	(256)	690	8,208	9,925
 At 1st January 2019	 1,283	 (256)	 690	 8,208	 9,925
Profit after taxation for the year	0	0	0	77	77
Reserve transfer	0	0	(32)	32	0
Total comprehensive income and expense for the year	0	0	(32)	109	77
Equity dividends paid	0	0	0	(499)	(499)
Transactions with owners	0	0	0	(499)	(499)
 At 31st December 2019	 1,283	 (256)	 658	 7,818	 9,503

Notes 1 to 28 form part of these financial statements.



TOLENT PLC

Consolidated and parent company statements of financial position as at 31st December 2019

	Note	Group 2019 £'000	Group 2018 £'000	Parent Company 2019 £'000	Parent Company 2018 £'000
Assets					
Fixed Assets					
Investments	13	0	0	9,767	9,767
Tangible assets	10	2,686	2,631	0	0
Investment properties	11	3,445	4,320	0	0
Intangible assets	12	2,321	2,237	0	0
		<u>8,452</u>	<u>9,188</u>	<u>9,767</u>	<u>9,767</u>
Current Assets					
Cash at bank and in hand	23	27,105	11,746	75	83
Inventory	14	9,435	6,258	0	0
Assets held for sale		2,942	3,600	0	0
Debtors	15	30,865	22,495	6,588	7,764
		<u>70,347</u>	<u>44,099</u>	<u>6,663</u>	<u>7,847</u>
Creditors: amounts falling due within one year	18	<u>68,367</u>	<u>42,515</u>	<u>12,364</u>	<u>14,418</u>
Net current assets/(liabilities)		<u>1,980</u>	<u>1,584</u>	<u>(5,701)</u>	<u>(6,571)</u>
Total Assets less current liabilities		<u>10,432</u>	<u>10,772</u>	<u>4,066</u>	<u>3,196</u>
Creditors: amounts falling due after more than one year	19	658	709	0	0
Provision for liabilities	17	<u>271</u>	<u>138</u>	<u>0</u>	<u>0</u>
Net Assets		<u>9,503</u>	<u>9,925</u>	<u>4,066</u>	<u>3,196</u>
Equity					
Share capital	21	1,283	1,283	1,283	1,283
Capital reserve	22	0	0	528	528
Revaluation reserve	22	658	690	0	0
Other reserve	22	(256)	(256)	(256)	(256)
Profit and loss account	22	7,818	8,208	2,511	1,641
Total Equity		<u>9,503</u>	<u>9,925</u>	<u>4,066</u>	<u>3,196</u>

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit for the year was £1,369,000 (2018: £1,098,000).

The financial statements were approved and authorised by the Board of Directors on 17th July 2020.

 A. I. MCLEOD Chief Executive Officer
 A. D. CLARK Chief Financial Officer

Notes 1 to 28 form part of these financial statements.

Company Number 03819314

TOLENT PLC

Parent company statement of changes in equity for the period ended 31st December 2019

	Share Capital	Other Reserve	Capital Reserve	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1st January 2018	1,283	(256)	528	1,416	2,971
Equity dividends paid	0	0	0	(873)	(873)
Transactions with owners	0	0	0	(873)	(873)
Profit after taxation for the year	0	0	0	1,098	1,098
Total comprehensive income and expense for the year	0	0	0	1,098	1,098
At 31st December 2018	1,283	(256)	528	1,641	3,196
At 1st January 2019	1,283	(256)	528	1,641	3,196
Equity dividends paid	0	0	0	(499)	(499)
Transactions with owners	0	0	0	(499)	(499)
Profit after taxation for the year	0	0	0	1,369	1,369
Total comprehensive income and expense for the year	0	0	0	1,369	1,369
At 31st December 2019	1,283	(256)	528	2,511	4,066

Notes 1 to 28 form part of these financial statements.

TOLENT PLC

Consolidated statement of cash flows for the period ended 31st December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit after taxation	77	1,517
Fair value decrease in investment properties	150	550
Fair value decrease in assets held for resale	75	0
Taxation (credit)/charge recognised in statement of comprehensive	(936)	281
Finance income and cost	31	(3)
Depreciation on property, plant and equipment	165	174
Amortisation on intangible assets	256	248
(Increase)/decrease in trade and other receivables	(5,960)	7,446
Increase in amounts recoverable on contracts	(1,225)	(773)
Increase in inventory	(3,177)	(2,739)
Increase/(decrease) in trade and other payables	26,387	(12,915)
Increase/(decrease) in provisions	133	(45)
Cash generated by/(used in) operations	15,976	(6,259)
Finance cost paid	(74)	(73)
Tax paid	(275)	(505)
Net cash generated by/(used in) operating activities	15,627	(6,837)
Cash flows from investing activities		
Purchase of property, plant and equipment	(220)	(65)
Purchase of intangibles	(340)	0
Receipt from sale of assts held for sale	1,308	0
Sale of investment property	0	335
Repayments of cash held for bond deposits	0	1,256
Finance income received	43	76
Net cash (used in)/generated from investing activities	791	1,602
Cash flows from financing activities		
Dividends paid	(499)	(873)
Repayment of borrowings	(560)	(501)
Net cash used in financing activities	(1,059)	(1,374)
Net increase/(decrease) in cash and cash equivalents	15,359	(6,609)
Cash and cash equivalents at beginning of period	11,746	18,355
Cash and cash equivalents at end of period	27,105	11,746

Notes 1 to 28 form part of these financial statements.

1. Company information

Tolent PLC ("the company") is the holding company for a group of construction and property companies involved in civil engineering and building across a variety of industrial/commercial/residential sectors and geographical regions, along with property development and rental.

The company is a public company limited by shares and is incorporated and domiciled in England. The registered office is Ravensworth House, 5th Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0HF

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for the revaluation of long leasehold properties held within investment properties and within property, plant and equipment.

The group financial statements consolidate the financial statements of Tolent PLC and all its subsidiary undertakings drawn up to 31st December each year. The financial statements are presented in Sterling (£'000).

The individual accounts of Tolent PLC have also adopted the following disclosure exemptions:

- The requirement to present a statement of Cash flows and related Notes
- financial instrument disclosures, including:
 - categories of financial instruments
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks.
- the requirement to disclose the total compensation of key management

Going Concern

The financial statements have been prepared on a going concern basis. Each year management produces a year ahead detailed budget and a second year operational projection which includes secured and probable order books, analysis of projected work between region, work sector and negotiated and tendered work, detailed overhead review, projected income statements, cash flow summaries and statements of financial position. Rolling forecasts for the remainder of the year, including secured and probable workloads are produced monthly throughout the year. These form the basis of the monthly management accounts and board pack reviewed by the board. In addition to the detailed budget and projection, a rolling five year strategic plan has been developed to ensure the continued success of the Group, which is updated each year. A detailed forecast has been produced for the period to 31st December 2020 in addition to a monthly projection for the year to 31st December 2021.

The potential impact on the Group of Covid 19 has been separately assessed as part of the Directors' consideration of the going concern basis of preparation. The Directors have considered a range of reasonably plausible short and medium term impacts of the Covid 19 outbreak on the Group's trading and cash flow forecasts and projections. In preparing this analysis a number of scenarios were considered, including the cancellation and deferment of construction projects, along with an estimation of the effect of a second "lockdown" in the final quarter of 2020. A number of mitigating actions have been taken to date, including temporary wages and salary reductions along with the curtailment of discretionary spend. The Group has also received financial support from the Government in the form of the Job Retention Scheme and the deferral of tax payments due in the period April to June 2020.

The working capital requirements of the group are satisfied by the management of the main categories of work in progress, trade debtors and trade creditors. Management are confident that these can continue to be managed effectively in the future. The cash position of the Group has remained robust and allowed further investment in the Group's future, with the budget and plans noted above indicating this will continue.

The Directors believe, Covid aside, that the current market conditions are generally stable following the ratification of Brexit on 31st January 2020. There continues to be strong demand and funding available for student accommodation, hotels, medical centres and the Private Rented Sector residential schemes, which may of course change as the economy reacts to changing circumstances. The level of enquiries remains high and tender margins remain stable. However, care is needed to avoid clients transferring undue levels of risk to the contractor and erosion of margins.

The directors consider the economic uncertainty arising as a consequence of the Covid 19 pandemic to represent a material uncertainty that may cast significant doubt upon certain assumptions made in the Group's financial projections and, consequently, its ability to continue as a going concern. That said, having reviewed the most recent projections and a range of sensitives related to this uncertainty in detail, along with potential mitigating actions, the directors firmly believe that it is appropriate to prepare the financial statements on the going concern basis.

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates including:

Judgements

Construction contract revenue

The stage of completion of any construction contract is assessed by management by taking into consideration all information available at the reporting date. In this process management makes significant judgements about milestones, actual work performed and the estimated costs to complete the work. Further information on the Group's accounting policy for construction contracts is provided in note 4I.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit and loss. The group engaged independent valuation specialists to determine their fair values at the reporting date. The valuers used recognised valuation techniques. The determined fair values of the investment properties are sensitive to the estimated yields and the occupancy rates.

Critical accounting estimates

As noted in the strategic report the southern region operations are to cease. The cost of the restructuring has been calculated taking into account all known factors at the current time and assumptions concerning the closure of the operations. Due to the complex nature of any such business closure there is an inherent uncertainty within the provision.

A further critical accounting estimate relates to the carrying value of Echo Buildings held within Tolent Homes Limited. During 2019, 20 apartments were sold. The remaining 25 apartments are let on short term tenancies. There was a downward movement of £50,000 in the net realisable value across the 45 apartments during 2019. The results of Tolent Homes have been classified as activities due to cease in the financial statements. Management believe that the remaining apartments can be sold at levels at least equal to what they are currently carried at in the financial statements.

4. Principal accounting policies

4a Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

4b Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill.

4c Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of Tolent PLC.

4d Tangible assets

The Group's long leasehold properties included within property, plant and equipment are used by the Group's trading companies. Long leasehold properties are recognised at cost which includes purchase cost and any directly attributable expenditure.

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any borrowing costs capitalised.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land and investment properties, over their expected useful lives, using the straight-line method. The rates applicable are:

Long leasehold properties	calculated to write off the value of these properties over the shorter of the lease period or remaining useful lives.
Plant and equipment	25% - 50%

4e Intangible assets

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash generating units ("CGU's") that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Other intangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any borrowing costs capitalised.

Depreciation is calculated to write down the cost less estimated residual value of all intangible fixed assets over their expected useful lives, using the straight-line method. The rates applicable are:

Software licences	10 - 15 years
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4f Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit and loss.

If any impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

4g Investment Properties

Long leasehold properties included as investment properties are held for long term return. Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in profit and loss.

4h Inventory

Inventory relates to land acquired for future development and developments currently under construction which is stated at the lower of cost and net realisable value.

4i Cash at bank and in hand

Cash comprises cash on hand and demand deposits.

4j Assets held for sale

Assets awaiting sale are held at the lower of cost and net realisable value.

4k Debtors

Short term debtors are measured at transaction price, less any impairment.

4l Construction Contracts

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

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

Variations are only recognised as turnover when they have been agreed with the customer. Claims are not recognised until negotiations are at an advanced stage such that it is probable that the customer will accept the claim and the amount that it is probable will be accepted by the customer can be measured reliably.

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

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

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

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

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

4m Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and measured subsequently at amortised cost using the effective interest method.

4n Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Where the Group is the lessor, assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4o Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Timing of the outflow may still be uncertain.

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 using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the Group's management.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

The Group recognises a provision for legal, insurance and other claims by customers. Anticipated reimbursements by third parties relating to these claims are disclosed within prepayments and accrued income. This asset may not exceed the amount of the related provision.

4p Taxation

A current tax liability is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The tax expense/(income) is presented either in the profit or loss, other comprehensive expense/(income) or equity depending on the transaction that resulted in the tax expense/(income).

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax assets and liabilities are not discounted.

Deferred tax is recognised when income or expenses from a subsidiary have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributable to goodwill is adjusted by the amount of deferred tax recognised.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and

-
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on timing differences associated with shares in subsidiaries is not provided if reversal of these timing differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

The tax charge on underlying business performance is calculated by reference to the estimated effective rate for the full year. Tax on disposals and other exceptional items is based on the expected tax impact of each item.

4q Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from contracting, property development and rental income.

- in the case of contracting, see note 4l above;
- in the case of property development sales, revenue is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the property which is generally when title passes to a buyer, upon completion;
- in the case of rental income, revenue relates to operating lease income which is recognised (net of any incentives given to lessees) on a straight line basis over the lease term.

4r Employee Benefits

The company operates a defined contribution scheme for its employees. Contributions to this scheme are recognised as an expense in the period in which they are incurred. Other short term employee benefits are also recognised as an expense in the period in which they are incurred.

4s Borrowing costs

The Group currently incurs borrowing costs in subsidiary companies. Those borrowing costs which are directly attributable to development contracts undertaken by the subsidiaries during the development phase are capitalised as part of the construction contract balances within the subsidiaries. Upon completion of the development contract borrowing costs are charged through the income statement. Other borrowing costs are charged directly through the income statement.

4t Employee Share Ownership Trust

The Group's Employee Share Ownership Trust ("ESOT") is a separately administered trust. The assets of the ESOT comprise shares in the company and cash. The assets, liabilities, income and costs of the ESOT have been included in the Group financial statements. The shares in the company are included at cost to the ESOT and deducted from shareholders' funds and dividend income is excluded in arriving at profit before tax and deducted from the aggregate of dividends paid and proposed.

4u Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in a general meeting prior to the balance sheet date.

4v Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Other reserve" represents the purchase cost of shares held within the Employee Share Ownership Trust (ESOT)
- "Profit and loss reserve" represents retained profits.
- "Revaluation reserve" represents fair value adjustments in respect of properties.

5. Profit before taxation

All of the Group's turnover and profits originate in the United Kingdom.

(Loss)/profit before taxation is stated after:

	<u>2019</u> £'000	<u>2018</u> £'000
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	27	24
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	62	59
Other employer and corporate services and services pursuant to legislation	9	9
Tax Services	21	19
	<u>119</u>	<u>111</u>
Depreciation	165	174
Amortisation	256	248
Operating lease charges:		
hire of plant and machinery	5,697	3,434
land and buildings	240	193
other operating leases	511	441

6. Staff costs**Group**

Staff costs during the year including key management:

	<u>2019</u> £'000	<u>2018</u> £'000
Wages and salaries	21,059	19,106
Social security	2,310	2,075
Pension costs	1,598	1,385
	<u>24,967</u>	<u>22,566</u>
Redundancy	32	0
	<u>24,999</u>	<u>22,566</u>
Southern region restructure redundancy	490	0

The Group operates a defined contribution pension scheme for all employees and directors, the assets of which are invested with insurance companies. Pension payments recognised as an expense of the Group during the year were £1,597,000 (2018 - £1,385,000).

The average number of employees of the Group during the year was 449 (2018 - 425). All of these employees are engaged in construction activities. Key management is considered to be Directors.

TOLENT PLC

Notes forming part of the consolidated financial statements for the year ended 31st December 2019 (continued)

Remuneration in respect of key management was as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments	951	953
Social security	118	124
Company pension contributions to a defined contribution scheme	38	34
Payment to third parties for directors' services	0	11

During the year two directors (2018 - two directors) participated in a defined contribution pension scheme.

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

	2019	2018
	£'000	£'000
Aggregate emoluments	255	263
	255	263

Company

Remuneration in respect of three of the directors of the parent company have been incurred by a subsidiary company. The average number of employees of the parent company during the year was 6 (2018 - 8). Staff costs, relating solely to parent company Directors' remuneration are as follows:

	2019	2018
	£'000	£'000
Wages and salaries	107	97
Social security	9	8
	116	105
Payment to third parties for directors' services	0	11

7. Net Interest

	2019	2018
	£'000	£'000
Interest receivable on bank balances	43	76
Interest payable on bank loans	(74)	(73)
	(31)	3

8. Taxation

The tax (credit)/charge represents:

	2019	2018
	£'000	£'000
Current tax on (losses)/profits for the period at 19% (2018 - 19%)	(227)	187
Adjustment in respect of prior years	6	0
Total current tax	(221)	187
Deferred taxation	(715)	94
Tax on (loss)/profit on ordinary activities	(936)	281

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19% (2018 - 19%). The differences are explained as follows:

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Notes forming part of the consolidated financial statements for the year ended 31st December 2019 (continued)

	2019	2018
	£'000	£'000
(Loss)/profit on ordinary activities before taxation:	(859)	1,798
Multiplied by standard rate of corporation tax in the United Kingdom of 19% (2018 - 19%)	(163)	342
Effects of:		
expenses not deductible for tax purposes	147	83
deferred tax	(715)	9
movement on property valuation	28	107
utilisation of brought forward losses	(246)	(259)
sale of non qualifying assets	4	(11)
ESOT dividend income	3	10
adjustments to tax charge in respect of prior years	6	0
Tax on (loss)/profit on ordinary activities	(936)	281

At the Budget 2016, the Government announced a reduction to the main rate of corporation tax from 2020, setting the rate at 17%. At the Budget 2020, the Government announced the main rate would remain at 19%.

9. Dividends

	2019	2018
	£'000	£'000
Interim dividend in respect of 2019 of 2p (2018 - 2p) per 10p ordinary share	256	256
Final dividend in respect of 2018 of 2p (2017 - 5p) per 10p ordinary share	257	642
Dividends received by ESOT Trust	(14)	(25)
	499	873

10. Tangible Fixed assets

Group

	Property, plant and equipment		
	Long leasehold properties	Plant, equipment and vehicles	Total
	£'000	£'000	£'000
Cost or valuation			
At 1st January 2019	2,925	1,105	4,030
Additions	186	34	220
At 31st December 2019	3,111	1,139	4,250
Depreciation			
At 1st January 2019	351	1,048	1,399
Charge for year	117	48	165
At 31st December 2019	468	1,096	1,564
Net book value at 31st December 2019	2,643	43	2,686
Net book value at 31st December 2018	2,574	57	2,631

11. Investment properties

Group	Long leasehold properties £'000
Cost or valuation	
At 1st January 2019	4,320
Fair value adjustment	(150)
Transfer to assets held for sale	(725)
At 31st December 2019	<u>3,445</u>
Book value at 31st December 2019	<u>3,445</u>
Book value at 31st December 2018	<u>4,320</u>

The long leasehold and investment properties were revalued in December 2019 by Naylor's Gavin Black, being an independent valuer with recognised and relevant professional qualifications and with recent experience in the locations of the investment properties being valued. The valuer was not an officer or employee of the company. The basis of the valuation was in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors on an open market basis. This resulted in a downward valuation on three investment properties of £200,000, and an upward movement of £50,000 on a further property.

If the investment properties had not been revalued they would have been included on an historical cost basis with a net book value of £4,566,000 (2018 - £5,778,000). This follows transfers out with an historic cost of £1,212,000.

12. Intangible assets

Group	Goodwill £'000	Licensed Software £'000	Total £'000
Cost			
At 1st January and 31st December 2019	2,485	0	2,485
Additions	0	340	340
At 1st January and 31st December 2019	<u>2,485</u>	<u>340</u>	<u>2,825</u>
Amortisation			
At 1st January 2019	(248)	0	(248)
Charge for year	(249)	(7)	(256)
At 31st December 2019	<u>(497)</u>	<u>(7)</u>	<u>(504)</u>
Net book value at 31st December 2019	<u>1,988</u>	<u>333</u>	<u>2,321</u>
Net book value at 31st December 2018	<u>2,237</u>	<u>0</u>	<u>2,237</u>

Goodwill amortised in the year relates to Coolmore Land Limited which is currently being amortised over a 10 year period representing the likely development period of the land held within that company.

Company	2019 £'000	2018 £'000
At cost		
At start and end of the year	<u>11,767</u>	<u>11,767</u>
Impairment		
At start and end of the year	<u>(2,000)</u>	<u>(2,000)</u>
Net Book amount at start and end of the year	<u>9,767</u>	<u>9,767</u>

13. Investments (Fixed Assets)

All group companies have only ordinary shares in issue and are registered in England and Wales.

The subsidiary undertakings are as follows:

	Activity	Proportion of shares held by	
		Group	Company
		%	%
Tolent Construction Limited	Building & civil engineering	100	100
Tolent Homes Limited	Property investment	100	100
Coolmore Land Limited	Property Development	100	100
Tolent Corporation Limited	Dormant	100	100
T Holdings Limited	Dormant	100	100
Ravensworth Properties Limited	Property investment	100	0
Tolent Living Limited	Residential Property Construction	100	0
Tolent Solutions Limited	Residential Property Construction	100	0

14. Inventory

Inventory relates to land purchased for future development and current developments under construction. These are considered to be inventory and are stated at the lower of cost and net realisable value. The directors are of the opinion that the true value of the inventory is significantly higher than the current £9,435,000 (2018: £6,258,000).

15. Debtors

Group	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade receivables	13,854	7,640
Other receivables	776	1,954
Prepayments and accrued income	1,773	849
Amounts recoverable on contracts	13,157	11,932
Current Taxation	591	0
	<u>30,151</u>	<u>22,375</u>
Amounts falling due after more than one year		
Deferred taxation	714	120
	<u>714</u>	<u>120</u>
Total debtors	<u>30,865</u>	<u>22,495</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £52,000 (2018: £297,000) has been recorded accordingly. The impaired trade receivables are due from customers in the Group's construction and property operations business segments.

Company	2019 £'000	2018 £'000
Other Debtors	171	1,182
Amounts owed by group undertakings	6,237	6,462
Deferred taxation	180	120
	<u>6,588</u>	<u>7,764</u>

The amounts owed by group undertakings are repayable on demand with interest being charged at rates between 0% and 4%

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Notes forming part of the consolidated financial statements for the year ended 31st December 2019 (continued)

16. Deferred taxation asset

Deferred taxation provided for at 17% (2018 - 17%) is set out below. This is below the 19% main rate of corporation tax which the Government announced is to remain in place in the Budget 2020.

Group	2019 £'000	2018 £'000
At 1st January 2019	120	214
Credit to statement of comprehensive income	669	0
Charge to statement of comprehensive income	(57)	(57)
Adjustment in respect of prior years	(18)	(37)
	<u>714</u>	<u>120</u>
Unused tax losses - non current	<u>714</u>	<u>120</u>

Deferred taxation not provided at 17% (2018 - 17%) is set out below.

	2019 £'000	2018 £'000
Accelerated capital allowances	(34)	28
Other items of revenue and expense	43	13
Unused tax losses	0	970
	<u>9</u>	<u>1,011</u>

Company	2019 £'000	2018 £'000
At 1st January 2019	120	214
Charge to statement of comprehensive income	(57)	(57)
Credit to statement of comprehensive income	135	0
Adjustment in respect of prior years	(18)	(37)
	<u>180</u>	<u>120</u>

Deferred tax balances relate to temporary differences:

Unused tax losses - non current	<u>180</u>	<u>120</u>
	<u>180</u>	<u>120</u>

17. Provisions

Group	2019 £'000	2018 £'000
Other provisions due within one year		
Brought forward at 1 January 2019	138	183
Additional provisions	228	154
Amount utilised/released	(95)	(199)
Carried forward at 31 December 2019	<u>271</u>	<u>138</u>

Other provisions are provided against various legal, insurance and other claims by customers. The Group anticipates to be reimbursed £242,000 (2018 - £152,000) by third parties in relation to these claims which has been included within prepayments and accrued income. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

18. Creditors : Amounts falling due within one year**Group**

	2019	2018
	£'000	£'000
Trade creditors	50,425	31,222
Payments received on account	13,060	6,547
Social security and other taxes	2,266	889
Other creditors	730	2,165
Accruals and deferred income	1,368	639
Current taxation	0	26
Bank and other loans	518	1,027
	<u>68,367</u>	<u>42,515</u>

Company

	2019	2018
	£'000	£'000
Trade creditors	18	19
Other creditors	32	1,522
Amounts owed to group undertakings	12,304	12,849
Current taxation	10	28
	<u>12,364</u>	<u>14,418</u>

The amounts owed to group undertakings are repayable on demand with interest being charged at rates between 0% and 4%.

All trade and other payables are short term. The carrying values are considered to be a reasonable approximation of fair value.

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

	2019	2018
	£'000	£'000
Bank and other loans	658	709
	<u>658</u>	<u>709</u>
Aggregate amounts repayable by instalments:		
within one year	518	1,027
between one and two years	266	268
between two and five years	392	441
	<u>1,176</u>	<u>1,736</u>

The bank loan is secured over the properties included within investment property and the office included within assets held for sale. A capital repayment of £262,500 has been made on the completion of the office sale on 17th January 2020. Quarterly capital and interest payments are made. The loan expires in February 2022. Interest is payable on this loan at 2.5% over 3 month bank Libor rate.

20. Financial instruments

The Group is primarily engaged in construction activities in the UK.

The Group uses financial instruments, other than derivatives, comprising borrowings, cash and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group financial instruments are liquidity and credit risk. The board reviews and agrees policies for managing these risks which are summarised below. These policies have remained unchanged from previous years.

Liquidity and credit risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group finances its operations through a mixture of retained profits, working capital and bank borrowings. The Group's principal financial assets are trade debtors and amounts recoverable on contracts. In order to manage the credit risk the Directors consider exposure on a customer by customer basis for significant contracts.

Financial Instruments measured at fair value

The Group does not have any financial instruments held at fair value. The Group holds non financial assets held at fair value being investment property which is included at valuation is detailed in note 11.

Group	2019	2018
	£'000	£'000
Financial assets and liabilities held at amortised cost		
Current assets		
Trade and other receivables (excluding prepayments and accrued income)	14,630	9,594
Cash and cash equivalents	27,105	11,746
	<u>41,735</u>	<u>21,340</u>
Non current liabilities		
Bank Loans	658	709
	<u>658</u>	<u>709</u>
Current liabilities		
Trade payables	50,425	31,222
Other payables	730	2,165
Bank loans	518	1,027
Accruals	1,368	639
Other financial liabilities	<u>53,041</u>	<u>35,053</u>
Net financial liabilities	<u>(11,964)</u>	<u>(14,422)</u>

TOLENT PLC

Notes forming part of the consolidated financial statements for the year ended 31st December 2019 (continued)

Non financial assets and liabilities

Property, plant and equipment	2,686	2,631
Investment properties	3,445	4,320
Intangible assets	2,321	2,237
Assets held for sale	2,942	3,600
Inventory	9,435	6,258
Current taxation	591	(26)
Prepayments and accrued income	1,773	849
Provisions	(271)	(138)
Amounts recoverable on contracts	13,157	11,932
Payments received on account	(13,060)	(6,547)
Social security and other taxes	(2,266)	(889)
Deferred taxation	714	120
Non financial assets	21,467	24,347
Total Equity	9,503	9,925

21. Share capital

Group and Company

	2019		2018	
Equity	Number of shares	£'000	Number of shares	£'000
Allotted and fully paid ordinary shares of 10p each	12,832,626	1,283	12,832,626	1,283

22. Reserves

Called up share capital - represents the nominal value of shares that have been issued.

Profit and loss account - includes all current and prior period retained profits and losses. The Group's profit and loss reserve is further analysed between distributable and non-distributable as follows:

	2019	2018
	£'000	£'000
Distributable profit and loss reserve	7,400	7,790
Non - distributable profit and loss reserve	418	418
	7,818	8,208

The whole of the parent company profit and loss account is distributable.

Revaluation reserve - represents the fair value changes relating to long leasehold properties held at valuation represented as other comprehensive income or expense in the consolidated statement of comprehensive income.

The Capital reserve relates to a merger reserve which arose on the issue of shares in respect of the Group's interest in the subsidiary undertakings demerged from Amco Corporation plc in 1999.

Other reserves - ESOT

The Employee Share Ownership Trust ("the Trust") was established by a Deed in February 2003 made between the Company and Gutenga Holdings Limited ("the Trustees"). The Trust was established for the benefit of the bona fide employees of the Company and other Group companies ("the Beneficiaries"). The Trust is a Discretionary Trust whose assets are cash and shares in the Company and the Trustees have full authority and power to distribute such cash and shares as they deem fit, to the Beneficiaries.

TOLENT PLC

Notes forming part of the consolidated financial statements for the year ended 31st December 2019 (continued)

As of 31st December 2019 the Trust held 365,000 (2018 - 365,000) ordinary shares of 10p each in the capital of the Company (2.84% of the allotted share capital). The market value of the shares in the ESOT at 31st December 2019 based on the latest Matched Bargain trade was £74,000 (2018 - £73,000).

23. Analysis of cash at bank and in hand and bank and other loans

Group

	2019 £'000	2018 £'000
Cash at bank and in hand	27,105	11,746
Bank and other loans due within one year	(518)	(1,027)
	26,587	10,719
Bank and other loans due after more than one year	(658)	(709)
	<u>25,929</u>	<u>10,010</u>

Company

	2019 £'000	2018 £'000
Cash at bank and in hand	75	83
	<u>75</u>	<u>83</u>

24. Operating lease obligations

Group

Total commitments to operating lease payments are as follows:

	Land & buildings £'000	Other £'000
In respect of leases expiring:	2019	
within one year	160	315
between one and five years	228	213
	<u>388</u>	<u>528</u>
	2018	
within one year	163	432
between one and five years	390	488
	<u>553</u>	<u>920</u>

25. Contingent liabilities

Company

The company is party to cross guarantees for the bank borrowings of Ravensworth Properties Limited, Tolent Corporation Limited, Tolent Construction Limited, Tolent Homes Limited, T Holdings Limited, Tolent Living Limited and Tolent Solutions Limited.

At 31 December 2019 this amounted to £nil (2018 - £nil).

The Company provides guarantees to subsidiary companies in the normal course of business to guarantee the contractual obligations of subsidiary companies. The Directors have determined that no specific provision is required for these guarantees.

26. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Company has a common director with Billington Holdings PLC, Mr. I. M. Lawson. No trade occurred between the Company or the Group and Billington Holdings PLC and there were no payables/receivables at 31st December 2019.

At 31st December 2019 an amount of £165,000, which includes accrued interest of £5,000 is included within the company's other debtors relating to advances made Gutenga Investments PCC Limited, a substantial shareholder in Tolent PLC.

Transactions amounting to £Nil (2018 - £4,000) at normal market rates were carried out between the Group and an entity owned by one of the substantial shareholders of Tolent PLC. At 31st December 2019 an amount of £Nil (2018 - £330,000) due from this entity was included within other receivables.

27. Activities due to cease

The 25 apartments at Echo Buildings held within Tolent Homes Limited, with a carrying value of £1,992,000, are disclosed within assets held for sale following the Directors' decision to dispose of the property. The results of this activity are disclosed as activities due to cease.

The decision was made in November 2019 to suspend all new construction projects delivered via our southern business unit, whilst committing to completing the current projects on site. This decision is due mainly to economic conditions and an overly competitive marketplace. The decision has been taken after careful consideration and in the best interests of the wider business. Whilst regrettable, we believe that it will ultimately strengthen Tolent Construction. Our current commercial position is stronger than it has been for some years, with current and future workload across our core, northern business units, remaining healthy and in line with our strategic goals in terms of both turnover and margin. The results of the southern division have been disclosed as activities due to cease.

28. Events after the balance sheet date

As per note 2 a material uncertainty with regards to the Group's ability to continue as a going concern has arisen due to the impact of Covid 19. At the date of signing the accounts, it is not possible to reliably quantify the potential financial impact of the uncertainty.