

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2023
for
DRAIN LINE SOUTHERN LIMITED**

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for the year ended 31 March 2023**

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DRAIN LINE SOUTHERN LIMITED

**Company Information
for the year ended 31 March 2023**

DIRECTORS:

D M Mogre
S P Whelan
T J Miles
N K Mulligan
S Staples
P Monck

SECRETARY:

S P Whelan

REGISTERED OFFICE:

Jobs Depot
Pookbourne Lane
Hickstead
West Sussex
BN6 9HD

REGISTERED NUMBER:

04933418 (England and Wales)

SENIOR STATUTORY AUDITOR:

Chris Morey

AUDITORS:

Feist Hedgethorpe Limited
Statutory Auditors
Chartered Accountants
Preston Park House
South Road
Brighton
East Sussex
BN1 6SB

**Strategic Report
for the year ended 31 March 2023**

The directors present their strategic report for the year ended 31 March 2023.

Introduction

Drain Line is an independently owned specialist SME drainage business who, alongside our core highways drainage division, also provide small scale civil engineering and traffic management services.

The business was founded by husband-and-wife team Sylvia Whelan and Mike Mogre and was incorporated in October 2003. Tristan Miles joined the business in 2018 and brought with him decades of highways drainage experience and is now a joint owner and managing director. All three are still involved with the business on a day-to-day basis.

75% of company turnover is earned from long term fixed highways contracts for local authority and tier 1 main contractor customers. A further 8% of income is earned from larger rail focussed infrastructure organisations with the remaining 17% coming from ad hoc clients who range in size from PLCs to small business and individual residential customers.

The business continues to invest in health, safety and wellbeing of all staff and key stakeholders with the continued collaboration and support with BSI.

Business Overview

Company turnover increased by 18% year on year with turnover of £12.25m (2022: £10.38m). Profit after tax was £952k achieving a margin of 7.8% (2022: £953k - 9.2%).

Margins reduced 15% compared to 2022 due to several factors listed below:

- To service our growing customer base, we invested in a new depot and infrastructure at Waltham Abbey.
- Inflation affected our input prices across our supply chain throughout the year as it did throughout the wider economy. Inflation topped out at 11.1% in October 2022 compared to 4.2% in the prior year. Diesel costs increased to £1.62/litre in October with the average cost throughout the year being £1.43/litre.
- The cost-of-living-crisis and shortage of skilled drivers have increased our labour costs significantly.
- In addition to inflationary pressures, macro-economic factors including the fallout from BREXIT, the Ukraine war, COVID19 and the ending of furlough support all negatively affected other parts of our supply chain. Vehicle parts were particularly affected meaning there were longer than normal lead times and hyperinflation due in part to strict Chinese COVID regulations shutting down large parts of their manufacturing economy. This in turn increased our costs across all areas, especially with vehicle repairs and maintenance.

Our net assets have grown by 18% to £1.5m (2022: £1.27m). The business made several significant investments in IT equipment and vehicles as part of our CAPEX renewal and growth strategies. Over £1.2m of CAPEX investments were made in the year. Most of this investment was on commercial vehicles for our traffic management division and super combination units for our highways division.

Our closing cash position increased by 22% to £1.01m (2022: £830k).

Key Performance Indicators - Financial and Non-Financial

Below is a table summarising the Key Performance Indicators we use to manage our business. We monitor our vehicle utilisation on a weekly basis at our Operations Meeting held in person and via Teams at our Head Office each Thursday. Our vehicle KPI is split into different vehicle categories with combination units being the most important due to the cost of running this section of the fleet.

Strategic Report
for the year ended 31 March 2023

All KPI areas have grown positively except our margins which have been explained in detail above.

	Financial		
	2023	2022	+/(−)
Turnover	£12,255,312	£10,383,456	18.0%
Gross Profit Margin	18.8%	19.7%	(4.6%)
Operating Profit	£1,361,450	£1,321,371	3.0%
Operating Profit Margin	11.1%	12.7%	(12.7%)
Net Profit	£952,151	£953,237	0.1%
Net Profit Margin	7.8%	9.2%	(13.9%)
Adjusted EBITDA	£1,683,661	£1,487,400	13.2%
	Non-Financial		
	2023	2022	+/(−)
Average Employees	136	115	18.3%
Vehicle Utilisation	101.0%	95.5%	5.8%

Principle Risks and Uncertainties

It is crucial to understand and address the principal risks and uncertainties that affect our operations, financial performance, and long-term sustainability.

The table below highlights the major threats along with the potential impact and our mitigating actions.

Matter for Concern	Potential Impact	Mitigating Actions
Labour skills shortage.	Inability to operate due to lack of suitably trained employees.	Increase investment in our Learning and Training Department including online training platforms like Human Focus.
Lead time delays with vehicle parts.	Vehicle KPI reduction due to additional Vehicle Off Road (VOR) days.	Invest in our own mobile vehicle technician to carry out a more focussed vehicle PPM regime to improve VOR days.
Margin erosion due to inflationary pressures.	Continued margin erosion due to inflated input costs.	Continue to build on our strong client relationships alongside our reputable service provision to allow us to secure and win new work at profitable rates.
Margin erosion due to cost-of-living crisis.	Continued margin erosion due to inflated wage and salary costs.	Improve our employee engagement through appraisal and senior site visits. Pass on schedule of rate increases to employees via performance standard reviews and individual contract performance levels.
Economic and market risks.	Increasing BoE interest rates making financing investments more expensive.	Expanding our finance brokers to actively search a wider finance market. Placing our excess cash in savings accounts to take advantage of higher interest rates to help offset our higher finance costs. Working directly with finance companies to secure better terms.
Cybersecurity.	As our reliance on digital systems and data increases, the risk of cyber threats, such as data breaches and ransomware attacks, becomes more significant.	Improve our cyber insurance policies. Work more closely with our outsourced IT partner Docex 360 to implement more sophisticated security measures like two factor multi-authentication across all devices.

**Strategic Report
for the year ended 31 March 2023**

Future Developments

Our strategy of growing our business via long term highways contracts alongside our collaboration efforts with key clients continues. We recently secured several new long-term contracts that will positively impact the strategic growth plans for the new financial year and years ahead.

Our continued growth trajectory is forecast to grow revenue in 2023/24 of between 15% to 25%.

We strive to be the leading "supplier of choice" supporting local authority and tier 1 contractors in the highways sector.

In addition to the highways sector, we continue to build on our existing large rail infrastructure clients.

Research, Development, and Initiatives

The business will continue to invest in innovation, recycling, vehicles, carbon reduction and technology to support the continued growth of our business and offer best-in-class service to our clients.

Our groundbreaking social value initiative, which supports homeless people back into the construction industry will be a true measure of how social value benefits the local communities we work in.

ON BEHALF OF THE BOARD:

N K Mulligan - Director

3 August 2023

**Report of the Directors
for the year ended 31 March 2023**

The directors present their report with the financial statements of the company for the year ended 31 March 2023.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of drainage specialists.

DIVIDENDS

The total distribution of dividends for the year ended 31 March 2023 will be £ 724,092 .

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

D M Mogre
S P Whelan
T J Miles
N K Mulligan

Other changes in directors holding office are as follows:

S Staples - appointed 15 June 2022

P Monck was appointed as a director after 31 March 2023 but prior to the date of this report.

GOING CONCERN

The directors have a reasonable expectation that the company has adequate resources to continue in existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

DISCLOSURE IN THE STRATEGIC REPORT

Certain matters required by regulation to be dealt with in the annual report have been dealt with in the Strategic Report rather than in the Director's Report. These include principal risks and uncertainties and future developments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Directors
for the year ended 31 March 2023**

AUDITORS

The auditors, Feist Hedgethorne Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

N K Mulligan - Director

3 August 2023

Report of the Independent Auditors to the Members of Drain Line Southern Limited

Opinion

We have audited the financial statements of Drain Line Southern Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Other matter

The accounts for the year ended 31st March 2022 were not audited, however we have made all the necessary attempts to ensure that the comparative figures show a true and fair view and are therefore free from material misstatement.

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.

**Report of the Independent Auditors to the Members of
Drain Line Southern 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 or the Report of the Directors.

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 Statement of Directors' Responsibilities set out on page five, 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 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.

Report of the Independent Auditors to the Members of Drain Line Southern Limited

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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 extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- 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 company through discussions with directors and other management, and from our commercial knowledge and experience;
- 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, anti-bribery, 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.

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;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, 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.

**Report of the Independent Auditors to the Members of
Drain Line Southern Limited**

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 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 Report of the Auditors.

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 a Report of the Auditors 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.

Chris Morey (Senior Statutory Auditor)
for and on behalf of Feist Hedgethorne Limited
Statutory Auditors
Chartered Accountants
Preston Park House
South Road
Brighton
East Sussex
BN1 6SB

3 August 2023

DRAIN LINE SOUTHERN LIMITED (REGISTERED NUMBER: 04933418)

**Statement of Comprehensive
Income
for the year ended 31 March 2023**

		2023	2022
		£	(Unaudited) £
	Notes		
TURNOVER		12,255,312	10,383,456
Cost of sales		<u>(9,955,030)</u>	<u>(8,341,078)</u>
GROSS PROFIT		2,300,282	2,042,378
Administrative expenses		<u>(938,832)</u>	<u>(745,306)</u>
		1,361,450	1,297,072
Other operating income		<u>-</u>	24,299
OPERATING PROFIT		1,361,450	1,321,371
Interest receivable and similar income		<u>14</u>	<u>-</u>
		1,361,464	1,321,371
Interest payable and similar expenses	4	<u>(126,917)</u>	<u>(92,877)</u>
PROFIT BEFORE TAXATION	5	1,234,547	1,228,494
Tax on profit	6	<u>(282,396)</u>	<u>(275,257)</u>
PROFIT FOR THE FINANCIAL YEAR		952,151	953,237
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		952,151	953,237

The notes form part of these financial statements

DRAIN LINE SOUTHERN LIMITED (REGISTERED NUMBER: 04933418)

**Balance Sheet
31 March 2023**

		2023	2022
		£	(Unaudited) £
FIXED ASSETS	Notes		
Intangible assets	8	89,536	100,000
Tangible assets	9	3,113,165	2,338,667
Investments	10	200	200
		<u>3,202,901</u>	<u>2,438,867</u>
CURRENT ASSETS			
Debtors	11	2,326,199	1,817,234
Cash at bank		<u>1,011,919</u>	<u>830,196</u>
		3,338,118	2,647,430
CREDITORS			
Amounts falling due within one year	12	<u>(2,617,567)</u>	<u>(2,021,427)</u>
NET CURRENT ASSETS		<u>720,551</u>	<u>626,003</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,923,452	3,064,870
CREDITORS			
Amounts falling due after more than one year	13	(1,746,793)	(1,361,923)
PROVISIONS FOR LIABILITIES	16	<u>(673,725)</u>	<u>(428,072)</u>
NET ASSETS		<u><u>1,502,934</u></u>	<u><u>1,274,875</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	164	164
Share premium		39,991	39,991
Capital redemption reserve		24	24
Retained earnings		<u>1,462,755</u>	<u>1,234,696</u>
SHAREHOLDERS' FUNDS		<u><u>1,502,934</u></u>	<u><u>1,274,875</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 3 August 2023 and were signed on its behalf by:

N K Mulligan - Director

The notes form part of these financial statements

**Statement of Changes in Equity
for the year ended 31 March 2023**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 April 2021	164	878,403	39,991	24	918,582
Changes in equity					
Dividends	-	(596,944)	-	-	(596,944)
Total comprehensive income	-	953,237	-	-	953,237
Balance at 31 March 2022	164	1,234,696	39,991	24	1,274,875
Changes in equity					
Dividends	-	(724,092)	-	-	(724,092)
Total comprehensive income	-	952,151	-	-	952,151
Balance at 31 March 2023	164	1,462,755	39,991	24	1,502,934

The notes form part of these financial statements

Cash Flow Statement
for the year ended 31 March 2023

		2023	2022
		£	(Unaudited) £
Cash flows from operating activities			
Cash generated from operations	1	1,826,031	1,518,028
Interest element of hire purchase and finance lease rental payments paid		(126,917)	(92,877)
Tax paid		(66,921)	(141,560)
Net cash from operating activities		<u>1,632,193</u>	<u>1,283,591</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(19,382)	(126,255)
Purchase of tangible fixed assets		(1,226,767)	(958,818)
Purchase of fixed asset investments		-	(200)
Sale of tangible fixed assets		13,088	79,958
Interest received		14	-
Net cash from investing activities		<u>(1,233,047)</u>	<u>(1,005,315)</u>
Cash flows from financing activities			
Capital repayments in year		506,669	309,290
Amount withdrawn by directors		-	(52,993)
Equity dividends paid		(724,092)	(596,944)
Net cash from financing activities		<u>(217,423)</u>	<u>(340,647)</u>
Increase/(decrease) in cash and cash equivalents		<u>181,723</u>	<u>(62,371)</u>
Cash and cash equivalents at beginning of year	2	830,196	892,567
Cash and cash equivalents at end of year	2	<u>1,011,919</u>	<u>830,196</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the year ended 31 March 2023**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2023	2022 (Unaudited)
	£	£
Profit before taxation	1,234,547	1,228,494
Depreciation charges	472,211	316,029
Profit on disposal of fixed assets	(3,184)	(30,976)
Finance costs	126,917	92,877
Finance income	(14)	-
	<u>1,830,477</u>	<u>1,606,424</u>
Increase in trade and other debtors	(508,965)	(434,085)
Increase in trade and other creditors	<u>504,519</u>	<u>345,689</u>
Cash generated from operations	<u>1,826,031</u>	<u>1,518,028</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2023

	31.3.23	1.4.22
	£	£
Cash and cash equivalents	<u>1,011,919</u>	<u>830,196</u>

Year ended 31 March 2022

	31.3.22	1.4.21
	(Unaudited)	
	£	£
Cash and cash equivalents	<u>830,196</u>	<u>892,567</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.22	Cash flow	At 31.3.23
	£	£	£
Net cash			
Cash at bank	<u>830,196</u>	<u>181,723</u>	<u>1,011,919</u>
	<u>830,196</u>	<u>181,723</u>	<u>1,011,919</u>
Debt			
Hire purchase and finance leases	<u>(1,783,089)</u>	<u>(506,669)</u>	<u>(2,289,758)</u>
	<u>(1,783,089)</u>	<u>(506,669)</u>	<u>(2,289,758)</u>
Total	<u>(952,893)</u>	<u>(324,946)</u>	<u>(1,277,839)</u>

**Notes to the Financial Statements
for the year ended 31 March 2023**

1. STATUTORY INFORMATION

Drain Line Southern Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

Monetary amounts in these financial statements are rounded to the nearest pound.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Preparation of consolidated financial statements

The financial statements contain information about Drain Line Southern Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates and these 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The items in the financial statements where these judgements and estimates have been made include the useful economic life of intangible and tangible fixed assets, the depreciation and amortisation of these assets and provisions.

Key sources of estimation uncertainty:

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are depreciated over the approved franchisee depreciation rates. The carrying amount of tangible fixed assets is £3,113,165 (2022: £2,338,667) as noted in note 9.

The company considers whether intangible assets are impaired. Where an indication of impairment is identified the recoverable value requires estimation. The useful economic lives of the franchise rights are amortised over the length of the lease. The carrying amount of intangible assets is £89,536 (2022: £100,000) as noted in note 8.

No significant judgements have been made by management in preparing these financial statements.

**Notes to the Financial Statements - continued
for the year ended 31 March 2023**

2. ACCOUNTING POLICIES - continued

Turnover

Turnover represents the fair value of consideration received or receivable net of VAT and trade discounts for fixed highways contracts for local authority and tier 1 main contractor customers and for ad hoc services relating to small scale civil engineering and traffic management services.

Income earned from applications on fixed highways contracts is recognised on receipt of an assessment from the contractors, at a preset date each month. Works completed but not yet assessed are accrued for in accrued income, whilst work completed which are not expected to be assessed are deferred.

Ad hoc services are recognised as contract activity progresses. Revenue not billed is included in debtors and payments on account in excess of the relevant amount of revenue are included in creditors.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2022, is being amortised evenly over its estimated useful life of five years.

An adjustment has been made in the current year to correct the cost of the acquisition.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended by management.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant & machinery	- straight line over 4-7 years
Fixtures, fittings & equipment	- straight line over 3-4 years
Motor vehicles	- straight line over 5-7 years or over lease period
Computer equipment	- straight line over 3 years

Impairment policy

At each balance sheet date, the company reviews the carrying amount of its assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

**Notes to the Financial Statements - continued
for the year ended 31 March 2023**

2. ACCOUNTING POLICIES - continued

Financial instruments

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

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitutes a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

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 the profit and loss account as finance costs or finance income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Notes to the Financial Statements - continued
for the year ended 31 March 2023**

2. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension plan for its employees. A defined contribution pension plan is a pension plan under which the company pays contributions into a separate entity. Once the contributions have been paid, the company has no further obligations.

The contributions are recognised as an expense in the income statement when they fall due. Amounts owed but not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods.

This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3. EMPLOYEES AND DIRECTORS

	2023	2022 (Unaudited)
	£	£
Wages and salaries	5,278,541	4,478,042
Social security costs	519,017	433,952
Other pension costs	107,518	88,396
	<u>5,905,076</u>	<u>5,000,390</u>

The average number of employees during the year was as follows:

	2023	2022 (Unaudited)
Field based operatives	112	95
Office based staff	19	16
Directors	5	4
	<u>136</u>	<u>115</u>

	2023	2022 (Unaudited)
	£	£
Directors' remuneration	122,670	35,360
Directors' pension contributions to money purchase schemes	<u>15,171</u>	<u>15,156</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
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Notes to the Financial Statements - continued
for the year ended 31 March 2023

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023	2022 (Unaudited)
	£	£
Hire purchase interest	121,190	86,223
Finance lease charges	5,727	6,654
	<u>126,917</u>	<u>92,877</u>

5. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

	2023	2022 (Unaudited)
	£	£
Hire of plant & machinery	956,788	883,559
Other operating leases	10,242	24,502
Depreciation - owned assets	442,365	289,774
Profit on disposal of fixed assets	(3,184)	(30,976)
Goodwill amortisation	29,846	26,255
Auditors' remuneration	<u>7,500</u>	<u>-</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2023	2022 (Unaudited)
	£	£
Current tax:		
UK corporation tax	36,743	66,920
Deferred tax	<u>245,653</u>	<u>208,337</u>
Tax on profit	<u>282,396</u>	<u>275,257</u>

Notes to the Financial Statements - continued
for the year ended 31 March 2023

6. TAXATION - continued**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2023	2022 (Unaudited)
	£	£
Profit before tax	<u>1,234,547</u>	<u>1,228,494</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022 - 19%)	234,564	233,414
Effects of:		
Expenses not deductible for tax purposes	526	320
Disallowed amortisation	5,671	4,988
Change in rate of deferred tax	-	69,390
Disallowed depreciation of non-qualifying assets	652	652
Capital allowance super deduction	(42,565)	(42,866)
Difference between rate of deferred tax and corporation tax	51,984	40,923
Deferred tax on goodwill	<u>31,564</u>	<u>(31,564)</u>
Total tax charge	<u>282,396</u>	<u>275,257</u>

7. DIVIDENDS

	2023	2022 (Unaudited)
	£	£
Ordinary A shares of 0.1p each Interim	315,674	266,816
Ordinary C shares of 0.1p each Interim	276,564	215,960
Ordinary D shares of 0.1p each Interim	<u>131,854</u>	<u>114,168</u>
	<u>724,092</u>	<u>596,944</u>

Notes to the Financial Statements - continued
for the year ended 31 March 2023

8. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 2022	126,255
Additions	19,382
At 31 March 2023	<u>145,637</u>
AMORTISATION	
At 1 April 2022	26,255
Amortisation for year	29,846
At 31 March 2023	<u>56,101</u>
NET BOOK VALUE	
At 31 March 2023	<u>89,536</u>
At 31 March 2022	<u>100,000</u>

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant & machinery £	Fixtures, fittings and equipment £
COST			
At 1 April 2022	4,784	420,171	119,673
Additions	-	24,011	-
Disposals	-	-	-
At 31 March 2023	<u>4,784</u>	<u>444,182</u>	<u>119,673</u>
DEPRECIATION			
At 1 April 2022	911	176,149	95,139
Charge for year	684	54,907	9,332
Eliminated on disposal	-	-	-
At 31 March 2023	<u>1,595</u>	<u>231,056</u>	<u>104,471</u>
NET BOOK VALUE			
At 31 March 2023	<u>3,189</u>	<u>213,126</u>	<u>15,202</u>
At 31 March 2022	<u>3,873</u>	<u>244,022</u>	<u>24,534</u>

Notes to the Financial Statements - continued
for the year ended 31 March 2023

9. TANGIBLE FIXED ASSETS - continued

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 April 2022	3,032,980	72,360	3,649,968
Additions	1,194,378	8,378	1,226,767
Disposals	(27,115)	-	(27,115)
At 31 March 2023	<u>4,200,243</u>	<u>80,738</u>	<u>4,849,620</u>
DEPRECIATION			
At 1 April 2022	984,882	54,220	1,311,301
Charge for year	365,065	12,377	442,365
Eliminated on disposal	(17,211)	-	(17,211)
At 31 March 2023	<u>1,332,736</u>	<u>66,597</u>	<u>1,736,455</u>
NET BOOK VALUE			
At 31 March 2023	<u>2,867,507</u>	<u>14,141</u>	<u>3,113,165</u>
At 31 March 2022	<u>2,048,098</u>	<u>18,140</u>	<u>2,338,667</u>

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 April 2022 and 31 March 2023	<u>200</u>
NET BOOK VALUE	
At 31 March 2023	<u>200</u>
At 31 March 2022	<u>200</u>

Drain Line Southern Limited owns 100% of the share capital of Enviroflow Services Limited.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 (Unaudited) £
Trade debtors	2,031,084	1,671,281
Other debtors	34,955	18,906
Accrued income	161,953	39,095
Prepayments	98,207	87,952
	<u>2,326,199</u>	<u>1,817,234</u>

Notes to the Financial Statements - continued
for the year ended 31 March 2023

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	(Unaudited) £
Hire purchase contracts and finance leases (see note 14)	542,965	421,166
Trade creditors	670,706	499,252
Corporation tax	36,742	66,920
PAYE/NIC	134,149	120,540
VAT	483,352	302,675
Other creditors	1,423	3,640
Accrued expenses	748,230	607,234
	<u>2,617,567</u>	<u>2,021,427</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023	2022
	£	(Unaudited) £
Hire purchase contracts and finance leases (see note 14)	<u>1,746,793</u>	<u>1,361,923</u>

14. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts		Finance leases	
	2023	2022	2023	2022
	£	(Unaudited) £	£	(Unaudited) £
Net obligations repayable:				
Within one year	531,532	385,170	11,433	35,996
Between one and five years	1,565,729	1,222,079	7,802	19,235
In more than five years	173,262	120,609	-	-
	<u>2,270,523</u>	<u>1,727,858</u>	<u>19,235</u>	<u>55,231</u>

	Non-cancellable	operating leases
	2023	2022
	£	(Unaudited) £
Within one year	<u>30,000</u>	<u>30,000</u>

The total fixed lease payments recognised as an expenses is £30,000 (2022: £30,000).

15. SECURED DEBTS

Aldermore Bank has a fixed and floating charge over the assets of the company.

Notes to the Financial Statements - continued
for the year ended 31 March 2023

16. PROVISIONS FOR LIABILITIES

	2023	2022 (Unaudited)
	£	£
Deferred tax	<u>673,725</u>	<u>428,072</u>
		Deferred tax
		£
Balance at 1 April 2022		428,072
Accelerated capital allowances		<u>245,653</u>
Balance at 31 March 2023		<u>673,725</u>

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023	2022
			£	£
102,300	Ordinary A	0.1p	102	102
3,300	Ordinary B	0.1p	3	3
51,150	Ordinary C	0.1p	51	51
8,250	Ordinary D	0.1p	8	8
			<u>164</u>	<u>164</u>

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