

A&M ENERGY GROUP LIMITED
GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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A&M ENERGY GROUP LIMITED

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FOR THE YEAR ENDED 30 JUNE 2018**

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A&M ENERGY GROUP LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS:

Mr I L Mollard
Mr S Atherton
Mr G K Mollard
Mrs S L Roldaan
Mr A R Laing
Mr I M Holland

SECRETARY:

Mr J J Mansfield

REGISTERED OFFICE:

Environmental House
Sandwash Close
Rainford Ind Estate
Rainford
Merseyside
WA11 8LY

REGISTERED NUMBER:

09586545 (England and Wales)

AUDITORS:

Livesey Spottiswood Ltd
Chartered Accountants and
Statutory Auditors
17 George Street
St Helens
Merseyside
WA10 1DB

BANKERS:

National Westminster Bank Plc
5 Ormskirk Street
St Helens
Merseyside
WA10 1DR

A&M ENERGY GROUP LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2018

The directors present their strategic report of the company and the group for the year ended 30 June 2018.

REVIEW OF BUSINESS

The turnover of the business was consistent with the prior year at £23,180,108 (2017 - £23,149,396).

The business experienced growth within the commercial and new build sector, however the retrofit sector continued to decline during the period and the directors forecast this trend to continue.

Operating profit decreased to £2,182,008 (9.4% of turnover) from £3,115,750 (13.5%) in 2017 reflecting the change in mix of work undertaken.

PRINCIPAL RISKS AND UNCERTAINTIES

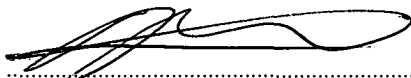
The Government's current ECO3 promised additional focus towards the fuel poor however the tightening of the eligibility criteria under the scheme has led to a further decline in installed volumes within this market.

The directors are pleased to report the ongoing development of the commercial and new build operations with expansion of the marketing department providing a suitable alternative to ECO funded work in future.

The business continues to benefit from the implementation of new systems and procedures for the commercial and new build sector allowing detailed control of profitability and working capital.

Financial risk is mitigated by the group maintaining acceptable levels of cash resources further to recent periods of profitability however the directors closely assess the working capital requirements of the business.

ON BEHALF OF THE BOARD:



.....
Mr J J Mansfield - Secretary

Date: 20/3/19

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2018**

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2018.

DIVIDENDS

The total distribution of dividends for the year ended 30 June 2018 will be £837,690.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2017 to the date of this report.

Mr I L Mollard
Mr S Atherton
Mr G K Mollard
Mrs S L Roldaan
Mr A R Laing
Mr I M Holland

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group 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). 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

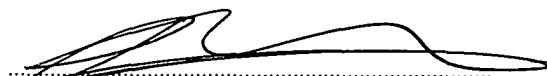
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group 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 group'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 group's auditors are aware of that information.

ON BEHALF OF THE BOARD:



Mr J J Mansfield - Secretary

Date: 20/3/19

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
A&M ENERGY GROUP LIMITED**

Opinion

We have audited the financial statements of A&M Energy Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated 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 group's and of the parent company affairs as at 30 June 2018 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
A&M ENERGY GROUP LIMITED**

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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.


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.

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.



Mr Andrew McMinnis ACA FCCA (Senior Statutory Auditor)
for and on behalf of Livesey Spottiswood Ltd
Chartered Accountants and
Statutory Auditors
17 George Street
St Helens
Merseyside
WA10 1DB

Date: 20/3/19

A&M ENERGY GROUP LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

| | Notes | 2018 £ | 2017 £ |
|---|-------|------------|------------|
| TURNOVER | | 23,180,108 | 23,149,396 |
| Cost of sales | | 14,002,590 | 13,291,540 |
| GROSS PROFIT | | 9,177,518 | 9,857,856 |
| Distribution costs | | 859,475 | 858,775 |
| Administrative expenses | | 6,136,035 | 5,883,331 |
| | | 6,995,510 | 6,742,106 |
| OPERATING PROFIT | 4 | 2,182,008 | 3,115,750 |
| Dividends received | | 420 | 235 |
| Interest receivable and similar income | | 4,144 | 3,145 |
| | | 4,564 | 3,380 |
| | | 2,186,572 | 3,119,130 |
| Interest payable and similar expenses | 5 | 230 | 190 |
| PROFIT BEFORE TAXATION | | 2,186,342 | 3,118,940 |
| Tax on profit | 6 | 465,968 | 532,437 |
| PROFIT FOR THE FINANCIAL YEAR | | 1,720,374 | 2,586,503 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,720,374 | 2,586,503 |
| Profit attributable to: Owners of the parent | | 1,720,374 | 2,586,503 |
| Total comprehensive income attributable to: Owners of the parent | | 1,720,374 | 2,586,503 |

The notes form part of these financial statements


CONSOLIDATED BALANCE SHEET
30 JUNE 2018

| | | 2018 | 2017 |
|--|-------|-------------------------|-------------------------|
| | Notes | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 9 | 1,870,566 | 1,616,679 |
| Investments | 10 | - | - |
| | | <u>1,870,566</u> | <u>1,616,679</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 443,073 | 240,983 |
| Debtors | 12 | 8,467,042 | 6,944,812 |
| Cash at bank | | 743,004 | 1,670,595 |
| | | <u>9,653,119</u> | <u>8,856,390</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 13 | 2,980,133 | 2,820,701 |
| NET CURRENT ASSETS | | <u>6,672,986</u> | <u>6,035,689</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>8,543,552</u> | <u>7,652,368</u> |
| PROVISIONS FOR LIABILITIES | 15 | 71,000 | 62,500 |
| NET ASSETS | | <u><u>8,472,552</u></u> | <u><u>7,589,868</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 100 | 100 |
| Merger reserve | 17 | 4,253,841 | 4,253,841 |
| Retained earnings | 17 | 4,218,611 | 3,335,927 |
| SHAREHOLDERS' FUNDS | | <u><u>8,472,552</u></u> | <u><u>7,589,868</u></u> |

The financial statements were approved by the Board of Directors on 20/3/19 and were signed on its behalf by:



 Mr G K Mollard - Director




 Mr S Atherton - Director

COMPANY BALANCE SHEET
30 JUNE 2018


| | Notes | 2018 £ | 2017 £ |
|--|-------|----------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | - | - |
| Investments | 10 | 200 | 200 |
| | | <u>200</u> | <u>200</u> |
| CURRENT ASSETS | | | |
| Cash at bank | | 66,675 | 304,458 |
| CREDITORS | | | |
| Amounts falling due within one year | 13 | <u>100</u> | <u>100</u> |
| NET CURRENT ASSETS | | <u>66,575</u> | <u>304,358</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>66,775</u> | <u>304,558</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 100 | 100 |
| Retained earnings | | <u>66,675</u> | <u>304,458</u> |
| SHAREHOLDERS' FUNDS | | <u>66,775</u> | <u>304,558</u> |
| Company's profit for the financial year | | <u>599,907</u> | <u>1,495,736</u> |

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 20/3/19 and were signed on its behalf by:



Mr G K Mollard - Director



Mr S Atherton - Director

A&M ENERGY GROUP LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

| | Called up share capital £ | Retained earnings £ | Merger reserve £ | Total equity £ |
|--------------------------------|------------------------------------|---------------------------|------------------------|----------------------|
| Balance at 1 July 2016 | 100 | 2,232,561 | 4,253,841 | 6,486,502 |
| Changes in equity | | | | |
| Dividends | - | (1,483,137) | - | (1,483,137) |
| Total comprehensive income | - | 2,586,503 | - | 2,586,503 |
| Balance at 30 June 2017 | 100 | 3,335,927 | 4,253,841 | 7,589,868 |
| Changes in equity | | | | |
| Dividends | - | (837,690) | - | (837,690) |
| Total comprehensive income | - | 1,720,374 | - | 1,720,374 |
| Balance at 30 June 2018 | 100 | 4,218,611 | 4,253,841 | 8,472,552 |

The notes form part of these financial statements

A&M ENERGY GROUP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

| | Called up share capital £ | Retained earnings £ | Total equity £ |
|--------------------------------|------------------------------------|---------------------------|----------------------|
| Balance at 1 July 2016 | 100 | 291,859 | 291,959 |
| Changes in equity | | | |
| Dividends | - | (1,483,137) | (1,483,137) |
| Total comprehensive income | - | 1,495,736 | 1,495,736 |
| Balance at 30 June 2017 | 100 | 304,458 | 304,558 |
| Changes in equity | | | |
| Dividends | - | (837,690) | (837,690) |
| Total comprehensive income | - | 599,907 | 599,907 |
| Balance at 30 June 2018 | 100 | 66,675 | 66,775 |

The notes form part of these financial statements

A&M ENERGY GROUP LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

| | Notes | 2018 £ | 2017 £ |
|---|-------|-----------------------|-------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 1 | 1,243,522 | 3,327,076 |
| Interest paid | | (230) | (190) |
| Tax paid | | (579,396) | (441,809) |
| Net cash from operating activities | | <u>663,896</u> | <u>2,885,077</u> |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | | (849,201) | (830,198) |
| Sale of tangible fixed assets | | 90,840 | 31,717 |
| Interest received | | 4,144 | 3,145 |
| Dividends received | | 420 | 235 |
| Net cash from investing activities | | <u>(753,797)</u> | <u>(795,101)</u> |
| Cash flows from financing activities | | | |
| Equity dividends paid | | (837,690) | (1,483,137) |
| Net cash from financing activities | | <u>(837,690)</u> | <u>(1,483,137)</u> |
| (Decrease)/increase in cash and cash equivalents | | <u>(927,591)</u> | <u>606,839</u> |
| Cash and cash equivalents at beginning of year | 2 | 1,670,595 | 1,063,756 |
| Cash and cash equivalents at end of year | 2 | <u><u>743,004</u></u> | <u><u>1,670,595</u></u> |

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

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

| | 2018 | 2017 |
|---------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Profit before taxation | 2,186,342 | 3,118,940 |
| Depreciation charges | 489,140 | 444,411 |
| Loss on disposal of fixed assets | 15,334 | 2,481 |
| Finance costs | 230 | 190 |
| Finance income | (4,564) | (3,380) |
| | <u>2,686,482</u> | <u>3,562,642</u> |
| Increase in stocks | (202,090) | (19,702) |
| Increase in trade and other debtors | (1,522,230) | (324,189) |
| Increase in trade and other creditors | <u>281,360</u> | <u>108,325</u> |
| Cash generated from operations | <u><u>1,243,522</u></u> | <u><u>3,327,076</u></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 30 June 2018

| | 30/6/18 | 1/7/17 |
|---------------------------|----------------|------------------|
| | £ | £ |
| Cash and cash equivalents | <u>743,004</u> | <u>1,670,595</u> |

Year ended 30 June 2017

| | 30/6/17 | 1/7/16 |
|---------------------------|------------------|------------------|
| | £ | £ |
| Cash and cash equivalents | <u>1,670,595</u> | <u>1,063,756</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1. STATUTORY INFORMATION

A&M Energy Group 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 General Information page.

2. ACCOUNTING POLICIES**General information and basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention. The financial statements are presented in sterling which is the functional currency of the company.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and 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.

On 1 July 2015, a share for share exchange took place between A&M Energy Group Limited and the shareholders of A&M Energy Solutions Limited. This transaction was as a result of a group reorganisation and the creation of A&M Energy Group Limited as the new parent company of the group. The ultimate shareholders remained the same.

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.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements. On consolidation, any excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Significant judgements and estimates

In the application of the company's accounting policies as set out below, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

The company recognises revenue when the amount of revenue can be measured reliably, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities described below.

Installations

Turnover from the installation of insulation materials is recognised upon completion of the installation, it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred or to be incurred in respect of the installation can be measured reliably.

Interest and dividends receivable

Interest income is recognised using the effective interest method and dividend income is recognised as the company's right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

| | |
|--------------------------------|---|
| Improvements to property | - Over the term of the lease |
| Plant and machinery | - Straight line over 5 years on original cost |
| Office equipment and computers | - Straight line over 3 years on original cost |
| Motor vehicles | - Straight line over 5 years on original cost |

Assets are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

Taxation

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. 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.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

Hire purchase and leasing commitments

Assets acquired under hire purchase contracts or finance leases are capitalised and depreciated over the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligations, net of future finance charges, are included in creditors.

Rentals payable and receivable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Employee benefits

When employees have rendered service to the company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The company operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in administrative expenses.

Provisions

Provisions are recognised when the company has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018

2. ACCOUNTING POLICIES - continued

Related parties

For the purposes of these financial statements, a party is considered to be related to the company if:

1. the party has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating decisions, or has joint control over the company;
2. the company and the party are subject to common control;
3. the party is an associate of the company or a joint venture in which the company is a venturer;
4. the party is a member of key management personnel of the company or the company's parent, or close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
5. the party is a close family member of a party referred to in (1) or is an entity under the control, joint control or significant influence of such individuals; or
6. the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. EMPLOYEES AND DIRECTORS

| | 2018 | 2017 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 6,740,195 | 6,743,506 |
| Social security costs | 694,846 | 688,123 |
| Other pension costs | 58,111 | 41,433 |
| | <u>7,493,152</u> | <u>7,473,062</u> |

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

| | 2018 | 2017 |
|----------------|------------|------------|
| Administration | 100 | 101 |
| Direct | 113 | 111 |
| | <u>213</u> | <u>212</u> |

The average number of employees by undertakings that were proportionately consolidated during the year was 213 (2017 - 212).

| | 2018 | 2017 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Directors' remuneration | <u>743,820</u> | <u>795,488</u> |

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

| | 5 | 5 |
|------------------------|----------|----------|
| Money purchase schemes | <u>5</u> | <u>5</u> |

Information regarding the highest paid director is as follows:

| | 2018 | 2017 |
|----------------|----------------|----------------|
| | £ | £ |
| Emoluments etc | <u>194,626</u> | <u>227,115</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018

4. OPERATING PROFIT

The operating profit is stated after charging:

| | 2018 | 2017 |
|---|---------------|---------------|
| | £ | £ |
| Other operating leases | 298,128 | 271,728 |
| Depreciation - owned assets | 489,140 | 444,411 |
| Loss on disposal of fixed assets | 15,334 | 2,481 |
| Auditors' remuneration | 3,500 | 3,500 |
| Auditors' remuneration for non audit work | 22,910 | 23,900 |
| | <u>22,910</u> | <u>23,900</u> |

5. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2018 | 2017 |
|---------------|------------|------------|
| | £ | £ |
| Bank interest | 230 | 190 |
| | <u>230</u> | <u>190</u> |

6. TAXATION**Analysis of the tax charge**

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

| | 2018 | 2017 |
|--------------------|----------------|----------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 457,500 | 614,700 |
| Prior periods | (32) | (69,863) |
| Total current tax | 457,468 | 544,837 |
| Deferred tax | 8,500 | (12,400) |
| Tax on profit | <u>465,968</u> | <u>532,437</u> |

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:

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Profit before tax | <u>2,186,342</u> | <u>3,118,940</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%) | 415,405 | 623,788 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 46,688 | 4,930 |
| Income not taxable for tax purposes | (80) | (47) |
| Capital allowances in excess of depreciation | (4,544) | (6,202) |
| Adjustments to tax charge in respect of previous periods | (32) | (69,862) |
| Current year rounding | 31 | (10) |
| Movement in deferred tax | 8,500 | (12,400) |
| Change in tax rates | - | (7,760) |
| Total tax charge | <u>465,968</u> | <u>532,437</u> |

7. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018

8. DIVIDENDS

| | 2018 £ | 2017 £ |
|----------------|----------------|------------------|
| Dividends paid | <u>837,690</u> | <u>1,483,137</u> |

9. TANGIBLE FIXED ASSETS**Group**

| | Improvements to property £ | Plant and machinery £ | Office equipment and computers £ | Motor vehicles £ | Totals £ |
|------------------------|-------------------------------------|-----------------------------|--|------------------------|------------------|
| COST | | | | | |
| At 1 July 2017 | 26,876 | 385,931 | 128,485 | 1,807,955 | 2,349,247 |
| Additions | - | 271,046 | 9,014 | 569,141 | 849,201 |
| Disposals | - | - | (242) | (215,124) | (215,366) |
| At 30 June 2018 | <u>26,876</u> | <u>656,977</u> | <u>137,257</u> | <u>2,161,972</u> | <u>2,983,082</u> |
| DEPRECIATION | | | | | |
| At 1 July 2017 | 2,509 | 131,475 | 67,771 | 530,813 | 732,568 |
| Charge for year | 4,927 | 106,253 | 30,748 | 347,212 | 489,140 |
| Eliminated on disposal | - | - | (242) | (108,950) | (109,192) |
| At 30 June 2018 | <u>7,436</u> | <u>237,728</u> | <u>98,277</u> | <u>769,075</u> | <u>1,112,516</u> |
| NET BOOK VALUE | | | | | |
| At 30 June 2018 | <u>19,440</u> | <u>419,249</u> | <u>38,980</u> | <u>1,392,897</u> | <u>1,870,566</u> |
| At 30 June 2017 | <u>24,367</u> | <u>254,456</u> | <u>60,714</u> | <u>1,277,142</u> | <u>1,616,679</u> |

10. FIXED ASSET INVESTMENTS**Company**

| | Shares in group undertakings £ |
|------------------------------------|---|
| COST | |
| At 1 July 2017 and 30 June 2018 | <u>200</u> |
| NET BOOK VALUE | |
| At 30 June 2018 | <u>200</u> |
| At 30 June 2017 | <u>200</u> |

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

A & M Energy Solutions Limited
Registered office: United Kingdom
Nature of business: Insulation contractors

| | % holding | 2018 £ | 2017 £ |
|--------------------------------|--------------|------------------|------------------|
| Class of shares: | 100.00 | | |
| Ordinary | | | |
| Aggregate capital and reserves | | 8,382,627 | 7,262,260 |
| Profit for the year | | <u>1,720,467</u> | <u>2,600,886</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018

10. FIXED ASSET INVESTMENTS - continued**A&M Insulations Limited**

Registered office: United Kingdom

Nature of business: Dormant

| | % |
|------------------|---------|
| Class of shares: | holding |
| Ordinary | 100.00 |

| | 2018 | 2017 |
|--------------------------------|---------------|---------------|
| | £ | £ |
| Aggregate capital and reserves | 23,250 | 23,250 |
| Loss for the year | - | (10,119) |
| | <u>23,250</u> | <u>13,131</u> |

Homewarm Limited

Registered office: United Kingdom

Nature of business: Dormant

| | % |
|------------------|---------|
| Class of shares: | holding |
| Ordinary | 100.00 |

| | 2018 | 2017 |
|--------------------------------|------------|------------|
| | £ | £ |
| Aggregate capital and reserves | 100 | 100 |
| | <u>100</u> | <u>100</u> |

11. STOCKS

| | Group | |
|----------------------------------|----------------|----------------|
| | 2018 | 2017 |
| | £ | £ |
| Insulation stock and consumables | 443,073 | 240,983 |
| | <u>443,073</u> | <u>240,983</u> |

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | |
|--------------------------------|------------------|------------------|
| | 2018 | 2017 |
| | £ | £ |
| Trade debtors | 7,433,920 | 5,890,482 |
| Other debtors | 726,681 | 824,762 |
| Prepayments and accrued income | 306,441 | 229,568 |
| | <u>8,467,042</u> | <u>6,944,812</u> |

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|-----------------------------------|------------------|------------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Trade creditors | 1,912,361 | 2,014,855 | - | - |
| Corporation tax | 195,612 | 317,540 | - | - |
| Social security and other taxes | 176,681 | 160,532 | - | - |
| Other creditors | 23,883 | 14,535 | - | - |
| Amounts due to group undertakings | - | - | 100 | 100 |
| Accruals and deferred income | 671,596 | 313,239 | - | - |
| | <u>2,980,133</u> | <u>2,820,701</u> | <u>100</u> | <u>100</u> |

14. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018

Group

| | Non-cancellable operating leases | |
|----------------------------|----------------------------------|----------------|
| | 2018 | 2017 |
| | £ | £ |
| Within one year | 30,512 | 33,008 |
| Between one and five years | 472,663 | 336,984 |
| In more than five years | - | 164,180 |
| | <u>503,175</u> | <u>534,172</u> |

15. PROVISIONS FOR LIABILITIES

| | Group | |
|--------------|---------------|---------------|
| | 2018 | 2017 |
| | £ | £ |
| Deferred tax | <u>71,000</u> | <u>62,500</u> |

Group

| | Deferred tax |
|-------------------------|---------------|
| | £ |
| Balance at 1 July 2017 | 62,500 |
| Movement in the year | <u>8,500</u> |
| Balance at 30 June 2018 | <u>71,000</u> |

Deferred tax is wholly in respect of accelerated capital allowances.

16. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | | | |
|----------------------------------|----------|----------------|------------|------------|
| Number: | Class: | Nominal value: | 2018 | 2017 |
| | | | £ | £ |
| 100 | Ordinary | £1 | <u>100</u> | <u>100</u> |

17. RESERVES

| Group | Retained earnings | Merger reserve | Totals |
|---------------------|-------------------|------------------|------------------|
| | £ | £ | £ |
| At 1 July 2017 | 3,335,927 | 4,253,841 | 7,589,768 |
| Profit for the year | 1,720,374 | - | 1,720,374 |
| Dividends | (837,690) | - | (837,690) |
| At 30 June 2018 | <u>4,218,611</u> | <u>4,253,841</u> | <u>8,472,452</u> |

18. PENSION COMMITMENTS

During the year the group made contributions to a defined contribution pension scheme for the benefit of its employees. The total cost for the year amounted to £67,507 (2017 - £41,433).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2018

19. CONTINGENT LIABILITIES

The industry is defending claims alleging sub-standard survey and installation of cavity wall insulation.

The group is defending all claims with the support of its insurance partners and is also working alongside numerous stakeholders within the industry to find an efficient and effective system for investigating and responding to all such claims.

It is currently impossible for management to reliably estimate the financial impact of the ongoing claims.

20. CAPITAL COMMITMENTS

| | 2018 £ | 2017 £ |
|---|----------------|-----------|
| Contracted but not provided for in the financial statements | <u>193,239</u> | <u>-</u> |

21. RELATED PARTY DISCLOSURES

The group rents two of the premises from which it trades from certain directors and their close family members. The amount paid during the year amounted to £73,000 (2017 - £73,000).

During the year, a total of key management personnel compensation of £743,820 (2017 - £795,488) was paid.