

Company Registration No. SC263290 (Scotland)

NWH CONSTRUCTION SERVICES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

NWH CONSTRUCTION SERVICES LTD

COMPANY INFORMATION

Directors	M P Williams C D Williams R A Williams
Company number	SC263290
Registered office	Unit 5 Mayfield Industrial Estate Dalkeith Midlothian EH22 4AD
Auditor	Campbell Dallas Audit Services Titanium 1 King's Inch Place Renfrew PA4 8WF
Bankers	The Royal Bank of Scotland PLC 36 St Andrew Square Edinburgh EH2 2YB

NWH CONSTRUCTION SERVICES LTD

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NWH CONSTRUCTION SERVICES LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present the strategic report for the year ended 30 September 2019.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was the collection, recycling and production of resources in addition to other ancillary services.

Waste such as glass, food, dry mixed recycling, general residual, cardboard, paper, plastics, inert demolition spoil, soils, wood, green garden, asbestos, incinerator bottom ash, household, road sweepings, civic amenity is collected. This is undertaken by the fleet of trade refuse vehicles, skips, tippers, grabs and articulated vehicles which transport it to the Material Recycling Facilities.

Headquartered in Midlothian, in central Scotland, the business services all of Scotland and the North East of England from eight sites.

REVIEW OF BUSINESS

The company achieved turnover of £18.1m (2018: £23.6m) in the year generating an operating profit of £0.4m (2018: £0.5m). Profit before taxation in the year was £0.1m (2018: £0.2m).

The 2018 trading performance was underpinned by a contract to muck shift at the redeveloped St James Quarter in Edinburgh. The margin for this work was helped by utilising our restoration site. In 2019, there was c£6m less revenues from this customer. Revenues, excluding this work, grew by 6% in the year, albeit at lower margins.

NWH CONSTRUCTION SERVICES LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The nature of the company's business and strategy are subject to a number of risks. The directors are of the opinion that the risk management processes adopted identify, monitor and ultimately mitigate all the risks.

COVID-19

Following the global outbreak of the COVID-19 virus subsequent to the year end, the company was impacted by the UK and Scottish Government-imposed restrictions on our operations and those of our customers and suppliers as well as the economic impact on our existing and potential customer base. The company has implemented the Government guidance on health and safety working practices at all our workplaces and is continuously communicating the latest advice to staff. The company has taken measures to mitigate the financial impact of the pandemic including the receipt of funding through the Coronavirus Business Interruption Loan Scheme (CBILS), debt repayment deferrals, Government support to safeguard jobs and pay employees, renegotiating banking covenants and other actions to manage liquidity. The company continues to carefully monitor all aspects of trading and is in constant communication with suppliers and customers as Government advice develops through the resumption of business.

KEY PERFORMANCE INDICATORS ("KPIs")

One of the main tools to address risk is through the extensive use of KPIs. The company monitors KPIs such as volumes, profitability, utilisation and liquidity which are reviewed operationally and at board level on a weekly basis.

RISK MANAGEMENT COMMITTEES

The Safety, Health, Environment, Fire and Quality Committee meets monthly and comprises all site managers. Its findings feed into the monthly Operational and Main Board meetings as well as the Risk, Health and Safety Committee.

The company operates the Risk, Health and Safety Committee with the purpose of reviewing and making recommendations on the adequacy and reliability of risk identification, mitigation and reporting. It fulfils the Board's corporate governance and supervisory responsibility for risk, health and safety and for developing policy to ensure best practice as well as the health and wellbeing of staff, contractors and visitors to the sites.

The committee meets quarterly ensuring the objectives, measures and targets of the company's policy are appropriate, adhered to and reported on. Risks addressed include regulatory, people & safety, business continuity, legal, reputational, environmental and community.

The Safety, Health, Environment, Fire and Quality Committee meets monthly and comprises all site managers. Its findings feed into the monthly Operational and Main Board meetings as well as the Risk, Health and Safety Committee.

2020 Outlook

The global outbreak of COVID-19 in 2020 has resulted in an elevated level of uncertainty within the UK economy. Despite the challenges presented by the pandemic the company operated throughout, initially supporting essential works and, latterly more as our customer base returned. We have managed our liquidity through this period from many mitigating actions including assistance from our funders. The result of which is that we are well placed to build on the platform for growth we made in FY19.

On behalf of the board

M P Williams

Director

28 July 2020

NWH CONSTRUCTION SERVICES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report with the financial statements of the company for the year ended 30 September 2019.

Directors

The directors shown below have held office during the whole of the period from 1 October 2018 to the date of this report.

M P Williams

C D Williams

R A Williams

Results and dividends

The results for the year are set out on page 8.

During the year under review, no interim dividends were paid (2018: £nil) and the directors recommend that no final dividend be paid.

Auditor

The auditor, Campbell Dallas Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NWH CONSTRUCTION SERVICES LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

M P Williams

Director

28 July 2020

NWH CONSTRUCTION SERVICES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NWH CONSTRUCTION SERVICES LTD

Opinion

We have audited the financial statements of NWH Construction Services Ltd (the 'company') for the year ended 30 September 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter - risks and uncertainties relating to COVID-19 pandemic

We draw attention to note 1.2 of the financial statements, which details the risks and uncertainties arising from the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

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 company'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 included in the annual report, 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.

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.

NWH CONSTRUCTION SERVICES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NWH CONSTRUCTION SERVICES LTD

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

NWH CONSTRUCTION SERVICES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NWH CONSTRUCTION SERVICES LTD

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.

Peter Gallanagh (Senior Statutory Auditor)
for and on behalf of Campbell Dallas Audit Services

11 August 2020

Statutory Auditor

Titanium 1
King's Inch Place
Renfrew
PA4 8WF

NWH CONSTRUCTION SERVICES LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	18,086,526	23,565,203
Cost of sales		(16,951,156)	(22,101,288)
Gross profit		1,135,370	1,463,915
Administrative expenses		(2,800,685)	(2,382,827)
Other operating income		2,054,201	1,404,477
Operating profit	4	388,886	485,565
Interest payable and similar expenses	7	(315,164)	(306,187)
Profit before taxation		73,722	179,378
Tax on profit	8	76,527	(52,471)
Profit for the financial year		150,249	126,907

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

NWH CONSTRUCTION SERVICES LTD

STATEMENT OF COMPREHENSIVE INCOME **FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	2019	2018
	£	£
Profit for the year	150,249	126,907
Other comprehensive income	-	-
Total comprehensive income for the year	<u>150,249</u>	<u>126,907</u>

NWH CONSTRUCTION SERVICES LTD

BALANCE SHEET

AS AT 30 SEPTEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	9	125,197		61,974	
Tangible assets	10	6,634,103		5,952,464	
		<u>6,759,300</u>		<u>6,014,438</u>	
Current assets					
Stocks	11	109,189		108,217	
Debtors	12	10,312,731		11,437,026	
Cash at bank and in hand		320,461		769,950	
		<u>10,742,381</u>		<u>12,315,193</u>	
Creditors: amounts falling due within one year	13	<u>(13,267,645)</u>		<u>(12,934,121)</u>	
Net current liabilities		<u>(2,525,264)</u>		<u>(618,928)</u>	
Total assets less current liabilities		<u>4,234,036</u>		<u>5,395,510</u>	
Creditors: amounts falling due after more than one year	14	(2,517,954)		(3,945,469)	
Provisions for liabilities	17	(221,230)		(105,438)	
Net assets		<u>1,494,852</u>		<u>1,344,603</u>	
Capital and reserves					
Called up share capital	20	910,000		910,000	
Profit and loss reserves	21	584,852		434,603	
Total equity		<u>1,494,852</u>		<u>1,344,603</u>	

The financial statements were approved by the board of directors and authorised for issue on 28 July 2020 and are signed on its behalf by:

M P Williams
Director

Company Registration No. SC263290

NWH CONSTRUCTION SERVICES LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 October 2017	910,000	307,696	1,217,696
Year ended 30 September 2018:			
Profit and total comprehensive income for the year	-	126,907	126,907
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2018	910,000	434,603	1,344,603
Year ended 30 September 2019:			
Profit and total comprehensive income for the year	-	150,249	150,249
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2019	<u>910,000</u>	<u>584,852</u>	<u>1,494,852</u>

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

Company information

NWH Construction Services Ltd is a private company, limited by shares, registered in Scotland. The registered office is Unit 5 Mayfield Industrial Estate, Mayfield, Dalkeith, Midlothian, EH22 4AD.

1.1 Accounting convention

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

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of The NWH Group Limited. These consolidated financial statements are available from its registered office, Unit 5, Mayfield Industrial Estate, Mayfield, Dalkeith, Midlothian, EH22 4AD.

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

At 30 September 2019, the company had net current liabilities of £2,525,264 (2018: £618,928). The company has paid special attention to the recent COVID-19 pandemic and the associated impact on the business. This includes:

- The impact of government-imposed restrictions on our continued operation and those of our customers
- The economic impact on our existing and potential customer base and the resulting fall in revenue and decreased cash flow
- Government support available to the company to safeguard jobs and ease working capital requirements. The company has received funding through the Coronavirus Business Interruption Loan Scheme (CBILS), negotiated debt repayment deferrals and taken other actions to manage short and longer term liquidity

The current and future financial position of the company, the cash flows and liquidity position have been reviewed considering COVID-19 and appropriate actions have been taken by the directors to pre-emptively strengthen these. The forecasts have been sensitised to test the impact of scenarios where the company faces a reduction in expected revenue generation. Additional actions have been identified and implemented by the directors to mitigate the impacts including renegotiating banking covenants and stringent cash management.

Although it is not possible to reliably estimate the length or severity of the outbreak, at the time of approving the financial statements, the directors consider the business to have adequate resources to navigate all foreseeable circumstances.

As such, the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2005 has been fully amortised.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years on cost
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% on cost
Leasehold land and buildings	2% on cost
Plant and equipment	10-20% on cost
Computers	33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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

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

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

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

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.15 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The key sources of estimation uncertainty in applying accounting policies in the financial statements are:

- Useful economic lives of intangible and tangible assets
- Residual values of tangible assets

The annual amortisation or depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually and amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and physical condition of the assets.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Collection	16,006,023	21,187,066
Processing	2,080,503	2,378,137
	<u>18,086,526</u>	<u>23,565,203</u>

The directors consider there to be one geographical market of turnover, the United Kingdom.

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	10,250	18,000
Depreciation of owned tangible fixed assets	451,363	583,723
Depreciation of tangible fixed assets held under finance leases	648,089	507,093
Loss/(profit) on disposal of tangible fixed assets	59,910	(42,230)
Amortisation of intangible assets	17,085	-
Operating lease charges	989,732	1,315,006
	<u> </u>	<u> </u>

5 Employees

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

	2019	2018
	Number	Number
Drivers	116	131
Directors	3	4
Administration	49	48
	<u> </u>	<u> </u>
Total	168	183
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	5,043,412	5,350,568
Social security costs	517,040	532,276
Pension costs	97,808	65,624
	<u> </u>	<u> </u>
	5,658,260	5,948,468
	<u> </u>	<u> </u>

6 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	162,409	211,399
Company pension contributions to defined contribution schemes	1,667	-
	<u> </u>	<u> </u>
	164,076	211,399
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

6 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	n/a	97,485

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

7 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	191,319	156,954
Interest on finance leases and hire purchase contracts	77,365	94,602
Other interest	46,480	54,631
	<u>315,164</u>	<u>306,187</u>

8 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	(90,522)	57,333
Adjustments in respect of prior periods	(101,797)	-
Total current tax	<u>(192,319)</u>	<u>57,333</u>
Deferred tax		
Origination and reversal of timing differences	97,587	(4,862)
Adjustment in respect of prior periods	18,205	-
Total deferred tax	<u>115,792</u>	<u>(4,862)</u>
Total tax (credit)/charge	<u>(76,527)</u>	<u>52,471</u>

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

8 Taxation

(Continued)

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

	2019 £	2018 £
Profit before taxation	73,722	179,378
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	14,007	34,082
Tax effect of expenses that are not deductible in determining taxable profit	2,085	10,118
Group relief	37,708	-
Permanent capital allowances in excess of depreciation	3,246	7,698
Under/(over) provided in prior years	(101,797)	-
Deferred tax adjustments in respect of prior years	18,205	-
Adjust closing deferred tax to average rate	(11,480)	(12,404)
Adjust opening deferred tax to average rate	-	12,977
Surrender of tax losses for R&D tax credit refund	27,768	-
Additional deduction for R&D expenditure	(66,269)	-
Taxation (credit)/charge for the year	(76,527)	52,471

9 Intangible fixed assets

	Goodwill £	Software £	Total £
Cost			
At 1 October 2018	1,084,886	61,974	1,146,860
Additions	-	80,308	80,308
At 30 September 2019	1,084,886	142,282	1,227,168
Amortisation and impairment			
At 1 October 2018	1,084,886	-	1,084,886
Amortisation charged for the year	-	17,085	17,085
At 30 September 2019	1,084,886	17,085	1,101,971
Carrying amount			
At 30 September 2019	-	125,197	125,197
At 30 September 2018	-	61,974	61,974

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

10 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Computers	Total
	£	£	£	£	£
Cost					
At 1 October 2018	348,637	1,620,962	9,337,279	693,207	12,000,085
Additions	141,668	53,630	1,932,592	34,488	2,162,378
Disposals	-	-	(1,328,057)	-	(1,328,057)
At 30 September 2019	490,305	1,674,592	9,941,814	727,695	12,834,406
Depreciation and impairment					
At 1 October 2018	112,672	920,349	4,597,533	417,067	6,047,621
Depreciation charged in the year	16,168	33,720	928,709	120,855	1,099,452
Eliminated in respect of disposals	-	-	(946,770)	-	(946,770)
At 30 September 2019	128,840	954,069	4,579,472	537,922	6,200,303
Carrying amount					
At 30 September 2019	361,465	720,523	5,362,342	189,773	6,634,103
At 30 September 2018	235,965	700,613	4,739,746	276,140	5,952,464

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 £	2018 £
Plant and equipment	4,000,129	2,902,694

11 Stocks

	2019 £	2018 £
Raw materials and consumables	109,189	108,217

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

12 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	2,650,218	4,039,208
Corporation tax recoverable	212,124	13,558
Amounts owed by group undertakings	7,101,035	7,088,183
Other debtors	35,000	-
Prepayments and accrued income	314,354	296,077
	<u>10,312,731</u>	<u>11,437,026</u>

Included within trade debtors is £2,585,786 (2018 - £3,083,024) which is subject to invoice discounting arrangement.

13 Creditors: amounts falling due within one year

	Notes	2019	2018
		£	£
Bank loans	15	2,983,343	1,719,444
Obligations under finance leases	16	1,131,393	923,715
Trade creditors		1,206,439	1,491,620
Amounts owed to group undertakings		4,512,713	2,656,685
Taxation and social security		157,920	613,345
Other creditors		2,439,798	4,441,967
Accruals and deferred income		836,039	1,087,345
		<u>13,267,645</u>	<u>12,934,121</u>

Included within other creditors is £2,324,242 (2018: £2,502,846) due to RBS Invoice Finance Ltd (RBSIF). RBSIF hold a floating charge in relation to the purchased debts. RBSIF's floating charge shall insofar as it relates to the purchased debts, but no further or otherwise, rank in priority to the bank's floating charge.

Included within the intercompany creditor is a balance of £510,652 due to HMRC in relation to VAT. This is payable on behalf of the company by the NWH Group Limited.

14 Creditors: amounts falling due after more than one year

	Notes	2019	2018
		£	£
Bank loans and overdrafts	15	-	1,998,343
Obligations under finance leases	16	2,517,954	1,947,126
		<u>2,517,954</u>	<u>3,945,469</u>

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

15 Loans and overdrafts

	2019 £	2018 £
Bank loans	2,983,343	3,717,787
Payable within one year	2,983,343	1,719,444
Payable after one year	-	1,998,343

The Royal Bank of Scotland holds a bond and floating charge over the whole assets of the company together with cross guarantees between NWH Construction Services Limited and other group companies.

16 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	1,131,393	923,715
In two to five years	2,517,954	1,947,126
	3,649,347	2,870,841

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance lease obligations are secured over the assets they were used to acquire.

17 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	18	221,230	105,438

18 Deferred taxation

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

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	221,230	105,438

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

18 Deferred taxation (Continued)

Movements in the year:	2019
	£
Liability at 1 October 2018	105,438
Charge to profit or loss	115,792
	<u>221,230</u>
Liability at 30 September 2019	<u>221,230</u>

The deferred tax liability set out above relates to accelerated capital allowances .

19 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	97,808	65,624
	<u>97,808</u>	<u>65,624</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
910,000 Ordinary of £1 each	910,000	910,000
	<u>910,000</u>	<u>910,000</u>

Each share holds the right to one vote. Dividends are allotted in proportion to shareholdings. If the company was to be dissolved on a winding up basis distributions would be shared in proportion to shareholdings. Issued shares hold no right of redemption.

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

21 Profit and loss reserves

	2019 £	2018 £
At the beginning of the year	434,603	307,696
Profit for the year	150,249	126,907
At the end of the year	584,852	434,603

22 Operating lease commitments

Lessee

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

	2019 £	2018 £
Within one year	401,254	830,654
Between two and five years	620,592	705,230
	1,021,846	1,535,884

23 Events after the reporting date

The global outbreak of COVID-19 after the year-end has resulted in an elevated level of uncertainty within the UK economy. The longer term effects of the virus, and the subsequent impact of the Government-imposed restrictions on movement and business, are not yet clear.

At this time, the directors believe there to be no quantifiable impact on the carrying value of assets in the balance sheet that results in either an adjusting or non-adjusting post balance sheet event.

24 Related party transactions

Transactions with related parties

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

	Sales		Purchases	
	2019 £	2018 £	2019 £	2018 £
Other related parties	550	-	-	56,250
	Fees incurred		Management charges received	
	2019 £	2018 £	2019 £	2018 £
Other related parties	4,167	20,833	18,000	12,000

NWH CONSTRUCTION SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

24 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	2019 £	2018 £
Amounts due to related parties		
Other related parties	-	810,166
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	2019 £	2018 £
Amounts due from related parties		
Other related parties	42,658	48,556
	<u> </u>	<u> </u>

Other information

The company has taken exemption provided by Paragraph 33.1A of Financial Reporting Standard 102 and accordingly has not disclosed any transactions with group undertakings.

25 Directors' transactions

These loans have been transferred to The NWH Group Limited, the parent company.

Description	% Rate	Opening balance £	Amounts transferred £	Closing balance £
M P Williams -	-	(500,000)	500,000	-
C D Williams -	-	(375,000)	375,000	-
R A Williams -	-	(250,000)	250,000	-
		<u>(1,125,000)</u>	<u>1,125,000</u>	<u>-</u>

26 Ultimate controlling party

The company is a 100% subsidiary of The NWH Group Limited, a company registered in Scotland.

The largest and smallest group into which the company are consolidated is that headed by The NWH Group Limited. The consolidated accounts of this company are available to the public and may be obtained from companies house.

No other group accounts include the results of this company.

The company is under the control of the directors, M P Williams, C D Williams and R A Williams, by virtue of their majority shareholding in The NWH Group Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.