

Company Registration No. 00782078 (England and Wales)

J.HARPER & SONS(LEOMINSTER) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

J.HARPER & SONS(LEOMINSTER) LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Mr P Mondon Miss V Overton Mr A Rees Mr M Harvey |
| Secretary | Miss V Overton |
| Company number | 00782078 |
| Registered office | Units 1 & 2 Bevan Industrial Estate Brierley Hill West Midlands DY5 3TF |
| Auditor | CK Audit No 4 Castle Court 2 Castlegate Way Dudley West Midlands DY1 4RH |
| Business address | Southern Avenue Leominster Herefordshire HR6 0QF |
| Bankers | HSBC Bank Plc 31 Church Street Kidderminster Worcestershire West Midlands DY10 2AY |

J.HARPER & SONS(LEOMINSTER) LIMITED

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J.HARPER & SONS(LEOMINSTER) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

We aim to present a considered and balanced review of the performance of the business and its position at the year end.

Turnover has been maintained at circa £26M as the Company continues the delivery of high quality projects, on time and to Client requirements.

Profitability across the group has continued to increase through the principals of strong, stable and professional management systems and support. We strategically target key Clients predominately in the Public Sector, such as Housing Associations and Local Authorities, whilst maintaining our links with organisations, who are strong within their own sector and provide a stable long-term informed relationship. Our continued success and stability has enabled us to retain our local workforce and strengthen our supply chain.

The group continues to invest for future performance and long-term stability by maintaining a balanced well trained, highly motivated workforce. The business takes its health and safety obligations very seriously and to this end employees attend numerous courses during the year both internally and externally, to ensure that all staff have received the necessary training to perform their duties safely.

Principal risks and uncertainties

The demand for services of the group are dependent upon the confidence within the UK housing and construction market. This includes factors such as interest rates and the availability of credit, which are outside the group's control. The business however continues to reduce risk and uncertainty by increasing its customer base, whilst keeping fixed costs to a minimum. Forward work load levels have remained healthy, as contracts are won, with the business already securing 95% of its anticipated work load for 2019 which includes speculative housing development opportunities.

Key performance indicators

The Directors monitor the performance of the group by reviewing actual monthly results with expected performance and by completing detailed reviews of the performance on individual contracts on a monthly basis.

In addition to this process the Directors measure financial performance for the year using the following indicators:-

| | <u>2018/17</u> | <u>2017/16</u> |
|----------------------------------|----------------|----------------|
| Decline/Growth in Turnover | 0.6% | 5.8% |
| Net Profit Before Tax % Turnover | 2.7% | 1.9% |
| Cash Balance | £7.2m | £6.9m |

J.HARPER & SONS(LEOMINSTER) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Other performance indicators

The group uses a suite of non-financial KPI's to monitor and measure success on a regular basis, which cover the whole business operating functions (these are monitored on a monthly basis).

- Client satisfaction – service and product
- Defects
- Construction time and cost
- Productivity
- Profitability
- Health and Safety inc. accident frequency rates
- Staff Turnover
- Sickness/Absence
- Qualifications and Skills
- Percentage local supplier spend
- Percentage local labour
- Employment/apprentice targets
- Tonnage to landfill
- Waste to landfill as % of all waste

The group places a great importance on ensuring the business undertakes its functions in a safe manner, whilst maintaining quality and ensuring that environmental impacts are minimised. To this end we maintain our CHAS Certification, together with our ISO 9001 and 14001 external accreditation whilst carrying out extensive training and development.

Technology / IT

The impact of digital technology continues, with the industry rapidly adjusting to consumers, clients and service providers operating in a mobile connected world, albeit through fragmented media. The Group has invested in its "IT" infrastructure to facilitate current and continued developments in this field.

Future Developments

The Board of Directors continue to actively review the Company's performance on an ongoing basis ensuring that projects are secured with appropriate risk analysis and that suitable and sufficient resources are available to ensure the companies systems, procedures and policies are maintained at all times to ensure business success.

We continue to develop our personnel with increased focus on staff training and staff/personal development reviews. All employees have an opportunity to develop their skills within an environment of open and honest reporting systems, support mechanisms and a hierarchy of control mechanisms for key functions.

On behalf of the board

Mr A Rees
Director
16 April 2019

J.HARPER & SONS(LEOMINSTER) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company continues to be the provision of building contractor services delivering all construction types, including but not restricted to commercial, industrial, leisure and retail, health, education, refurbishment, public buildings, affordable and private housing of all sizes under all procurement routes.

Directors

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

Mr P Mondon
Miss V Overton
Mr A Rees
Mr M Harvey

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

The auditor, CK Audit, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

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

Mr A Rees
Director

16 April 2019

J.HARPER & SONS(LEOMINSTER) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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.

J.HARPER & SONS(LEOMINSTER) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF J.HARPER & SONS(LEOMINSTER) LIMITED

Opinion

We have audited the financial statements of J.Harper & Sons(Leominster) Limited (the 'company') for the year ended 31 December 2018 which comprise 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 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

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.

J.HARPER & SONS(LEOMINSTER) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF J.HARPER & SONS(LEOMINSTER) LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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.

Wendy Davies (Senior Statutory Auditor)
for and on behalf of CK Audit

16 April 2019

Chartered Accountants
Statutory Auditor

No 4 Castle Court 2
Castlegate Way
Dudley
West Midlands
DY1 4RH

J.HARPER & SONS(LEOMINSTER) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|--|----------|------------------|------------------|
| Turnover | 3 | 26,775,172 | 26,622,893 |
| Cost of sales | | (23,655,041) | (23,354,950) |
| Gross profit | | 3,120,131 | 3,267,943 |
| Administrative expenses | | (2,445,012) | (2,783,370) |
| Other operating income | | 12,000 | 12,000 |
| Operating profit | 4 | 687,119 | 496,573 |
| Interest receivable and similar income | 8 | 45,400 | 89,947 |
| Interest payable and similar expenses | 9 | (187) | - |
| Profit before taxation | | 732,332 | 586,520 |
| Tax on profit | 10 | (137,619) | (113,035) |
| Profit for the financial year | | 594,713 | 473,485 |

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

J.HARPER & SONS(LEOMINSTER) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

| | Notes | 2018 £ | £ | 2017 £ | £ |
|---|-------|---------------------|-------------------------|--------------------|-------------------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 5,859 | | 7,812 |
| Current assets | | | | | |
| Debtors falling due after more than one year | 13 | 1,735,390 | | 1,882,890 | |
| Debtors falling due within one year | 13 | 5,424,649 | | 2,342,384 | |
| Cash at bank and in hand | | 7,246,373 | | 6,905,943 | |
| | | <u>14,406,412</u> | | <u>11,131,217</u> | |
| Creditors: amounts falling due within one year | 14 | <u>(11,699,294)</u> | | <u>(9,020,765)</u> | |
| Net current assets | | | <u>2,707,118</u> | | <u>2,110,452</u> |
| Total assets less current liabilities | | | <u><u>2,712,977</u></u> | | <u><u>2,118,264</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 2,000 | | 2,000 |
| Profit and loss reserves | 17 | | <u>2,710,977</u> | | <u>2,116,264</u> |
| Total equity | | | <u><u>2,712,977</u></u> | | <u><u>2,118,264</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 16 April 2019 and are signed on its behalf by:

Mr M Harvey
Director

Company Registration No. 00782078

J.HARPER & SONS(LEOMINSTER) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | | Share capital | Profit and loss reserves | Total |
|--|--------------|----------------------|-------------------------------------|--------------|
| | Notes | £ | £ | £ |
| Balance at 1 January 2017 | | 2,000 | 3,054,779 | 3,056,779 |
| Year ended 31 December 2017: | | | | |
| Profit and total comprehensive income for the year | | - | 473,485 | 473,485 |
| Dividends | 11 | - | (1,412,000) | (1,412,000) |
| Balance at 31 December 2017 | | 2,000 | 2,116,264 | 2,118,264 |
| Year ended 31 December 2018: | | | | |
| Profit and total comprehensive income for the year | | - | 594,713 | 594,713 |
| Balance at 31 December 2018 | | 2,000 | 2,710,977 | 2,712,977 |

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

J.Harper & Sons(Leominster) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Units 1 & 2, Bevan Industrial Estate, Brierley Hill, West Midlands, DY5 3TF.

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 on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the reduced disclosure exemptions for subsidiaries as follows:

- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- The requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A providing the equivalent disclosures required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirement of Section 33 Related Party Disclosures paragraph 33.7.

1.2 Going concern

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

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and 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 contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Tangible fixed assets

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

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

| | |
|--------------------------------|----------------------|
| Leasehold improvements | 10% straight line |
| Plant and machinery | 25% reducing balance |
| Fixtures, fittings & equipment | 25% reducing balance |

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.

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

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

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

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

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

1.6 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.7 Cash at bank and in hand

Cash at bank and in hand 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.

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.8 Financial instruments

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

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

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

Basic financial assets

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

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.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

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.

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

Derecognition of financial liabilities

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

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

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

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

1.11 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.

1.12 Retirement benefits

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

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account 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 lease 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.

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Construction contract revenue

Construction contract revenue reflects management's best estimate of the outcome and stage of completion of each contract. This includes the assessment of the profitability of each ongoing contract and estimates of costs to complete. For certain contracts the costs to complete and contract profitability are subject to significant estimation uncertainty.

Recoverability of amounts due from contract customers

The directors have considered the recoverability of amounts due from contract customers which at the year end amounted to £3,000,817 (2017 £1,322,135). Where amounts represent current valuations the directors are satisfied that amounts will be settled promptly on presentation of an invoice. The directors review amounts outstanding relating to retentions and consider whether there are any issues on the contract which need to be resolved, whether any further costs need to be taken in to account and the likelihood of amounts being recovered. Based on these reviews, the directors are satisfied with the recoverability of balances due from contract customers at the year end.

Impairment of trade receivables

A provision for doubtful trade receivables is set up when the likelihood of recovering the debt is diminished. The level of provision will be based on any current repayment plan entered into and which is being adhered to by the debtor, together with an estimate of the likelihood of the amounts due being fully recovered. The directors are satisfied that there is no impairment of trade receivables at the year end.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Turnover analysed by class of business | | |
| Sale of services | 26,775,172 | 26,622,893 |
| | <u> </u> | <u> </u> |
| | 2018 £ | 2017 £ |
| Other significant revenue | | |
| Interest income | 45,400 | 89,947 |
| | <u> </u> | <u> </u> |

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Operating profit

| | 2018 | 2017 |
|---|----------------|----------------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 1,953 | 4,216 |
| Operating lease charges | 426,443 | 358,871 |
| | <u>428,396</u> | <u>363,087</u> |

5 Auditor's remuneration

| | 2018 | 2017 |
|---|--------------|--------------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the company | 7,000 | 6,750 |
| | <u>7,000</u> | <u>6,750</u> |
| For other services | | |
| Taxation compliance services | 750 | 750 |
| All other non-audit services | 750 | 750 |
| | <u>1,500</u> | <u>1,500</u> |

6 Employees

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

| | 2018 | 2017 |
|----------------------|---------------|---------------|
| | Number | Number |
| Administration staff | 39 | 36 |
| Site based | 64 | 62 |
| | <u>103</u> | <u>98</u> |

Their aggregate remuneration comprised:

| | 2018 | 2017 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,822,074 | 3,369,834 |
| Social security costs | 391,401 | 345,986 |
| Pension costs | 243,755 | 238,577 |
| | <u>4,457,230</u> | <u>3,954,397</u> |

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Directors' remuneration

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 631,518 | 614,727 |
| Company pension contributions to defined contribution schemes | 105,675 | 120,445 |
| | <u>737,193</u> | <u>735,172</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 3).

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

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 305,270 | 302,127 |
| Company pension contributions to defined contribution schemes | 10,000 | 30,087 |
| | <u>315,270</u> | <u>332,214</u> |

8 Interest receivable and similar income

| | 2018 £ | 2017 £ |
|--|---------------|---------------|
| Interest income | | |
| Interest on bank deposits | 15,444 | 594 |
| Interest receivable from group companies | 29,956 | 40,889 |
| Other interest income | - | 48,464 |
| | <u>45,400</u> | <u>89,947</u> |

9 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|----------------|------------|-----------|
| Other interest | 187 | - |
| | <u>187</u> | <u>-</u> |

10 Taxation

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 137,619 | 117,052 |
| | <u>137,619</u> | <u>117,052</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | - | (4,017) |
| | <u>-</u> | <u>(4,017)</u> |
| Total tax charge | <u>137,619</u> | <u>113,035</u> |

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Taxation

(Continued)

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

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Profit before taxation | 732,332 | 586,520 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%) | 139,143 | 111,439 |
| Tax effect of expenses that are not deductible in determining taxable profit | 1,285 | 1,479 |
| Tax effect of income not taxable in determining taxable profit | (2,934) | - |
| Change in unrecognised deferred tax assets | 5 | (1,182) |
| Effect of change in corporation tax rate | - | 1,342 |
| Double tax relief | - | (43) |
| Change in unrecognised deferred tax liabilities | 120 | - |
| Taxation charge for the year | 137,619 | 113,035 |

11 Dividends

| | 2018 £ | 2017 £ |
|------------|-----------|-----------|
| Final paid | - | 1,412,000 |

12 Tangible fixed assets

| | Leasehold improvements £ | Plant and fixtures, machinery & equipment £ | Total £ |
|--|--------------------------------|---|------------|
| Cost | | | |
| At 1 January 2018 and 31 December 2018 | 88,630 | 8,603 | 185,334 |
| Depreciation and impairment | | | |
| At 1 January 2018 | 88,630 | 8,603 | 177,522 |
| Depreciation charged in the year | - | - | 1,953 |
| At 31 December 2018 | 88,630 | 8,603 | 179,475 |
| Carrying amount | | | |
| At 31 December 2018 | - | - | 5,859 |
| At 31 December 2017 | - | - | 7,812 |

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Debtors

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 1,632,669 | 481,669 |
| Gross amounts owed by contract customers | 3,000,817 | 1,322,135 |
| Amounts owed by group undertakings | 430,872 | 198,355 |
| Other debtors | 220,411 | 213,744 |
| Prepayments and accrued income | 139,880 | 126,481 |
| | <u>5,424,649</u> | <u>2,342,384</u> |
| | | |
| | 2018 | 2017 |
| | £ | £ |
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | 1,735,390 | 1,882,890 |
| | <u>1,735,390</u> | <u>1,882,890</u> |
| | | |
| Total debtors | <u>7,160,039</u> | <u>4,225,274</u> |

The loans with group companies are subject to a formal loan agreement with the following terms:

Loan due from parent undertaking

- Repayment £8,125 per month
- Interest 1% per annum above base
- Term 20 years from 8 December 2016

Loan due from fellow group undertakings

- Repayment £4,167 per month
- Interest 1% per annum above base
- Term 20 years from 1 June 2016

14 Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------------|-------------------|------------------|
| | £ | £ |
| Payments received on account | 333,099 | 453,462 |
| Trade creditors | 11,080,105 | 8,334,680 |
| Corporation tax | 137,619 | 117,052 |
| Other taxation and social security | 41,197 | 28,521 |
| Other creditors | 2,139 | - |
| Accruals and deferred income | 105,135 | 87,050 |
| | <u>11,699,294</u> | <u>9,020,765</u> |

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Retirement benefit schemes

| | 2018 | 2017 |
|---|---------|---------|
| Defined contribution schemes | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | 243,755 | 238,577 |

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.

16 Share capital

| | 2018 | 2017 |
|----------------------------------|-------|-------|
| Ordinary share capital | £ | £ |
| Issued and fully paid | | |
| 2,000 Ordinary shares of £1 each | 2,000 | 2,000 |

17 Profit and loss reserves

| | 2018 | 2017 |
|---------------------|-----------|-------------|
| | £ | £ |
| At 1 January 2018 | 2,116,264 | 3,054,779 |
| Profit for the year | 594,713 | 473,485 |
| Dividends | - | (1,412,000) |
| At 31 December 2018 | 2,710,977 | 2,116,264 |

18 Financial commitments, guarantees and contingent liabilities

The company is party to unlimited guarantees and cross guarantees with other group companies to secure overdraft facilities of Harper Group Plc and its subsidiaries. As at 31 December 2018 the amount owing by other group companies was £nil (2017 £nil).

Performance bonds

Performance bonds require the bondsmen to make payments to third parties in the event that the company does not perform what is expected of it under the terms of any related contracts or commercial arrangements.

Performance bonds at the year end amounted to £2,870,867 (2017 £1,932,593). Cash collateral deposits in connection with performance bonds held with insurance companies at the year end amount to £452,373 (2017 £721,675) and are included in cash at bank.

The deposits relate to five specific contracts, and will be released once all terms per the collateral agreement have been fulfilled.

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties which include, property rental, equipment rental and motor vehicles rentals.

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:

| | 2018 £ | 2017 £ |
|----------------------------|------------------|------------------|
| Within one year | 368,097 | 365,862 |
| Between two and five years | 639,048 | 734,822 |
| In over five years | 647,500 | 688,333 |
| | <u>1,654,645</u> | <u>1,789,017</u> |

At the reporting end date the total future minimum sublease payments expected to be received under non-cancellable subleases was £2,000 (2017 £14,000).

20 Related party transactions

Transactions with related parties

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

| | Purchases 2018 £ | 2017 £ |
|-----------------------|------------------------|---------------|
| Other related parties | <u>15,512</u> | <u>11,100</u> |

| | Rent 2018 £ | 2017 £ |
|--------------------------|-------------------|---------------|
| Key management personnel | <u>58,000</u> | <u>48,000</u> |

The following amounts were outstanding at the reporting end date:

| | 2018 £ | 2017 £ |
|--------------------------------|-----------|--------------|
| Amounts due to related parties | | |
| Other related parties | <u>66</u> | <u>5,460</u> |

J.HARPER & SONS(LEOMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Ultimate controlling party

The directors regard Harper Group Management Limited, a company registered in England and Wales as the ultimate parent company.

The immediate parent company is Harper Group plc.

The directors regard Harper Group Management Limited, a company registered in England and Wales as the ultimate controlling party.

Harper Group Management Limited is the parent undertaking of the largest group of which the company is a member and for which group financial statements are drawn up.

Harper Group Management Limited prepares group financial statements and copies can be obtained from Units 1 & 2, Bevan Industrial Estate, Brierley Hill, West Midlands, DY5 3TF.

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.