

CHALCROFT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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CHALCROFT LIMITED

COMPANY INFORMATION

Directors	Mr Mark Reeve Mr David Reeve Mr S England Mr P Morley Mr T Hallam
Company number	01435810
Registered office	4 Campbells Business Park Campbells Meadow King's Lynn Norfolk PE30 4YR
Auditor	Mapus-Smith & Lemmon LLP 48 King Street King's Lynn Norfolk PE30 1HE
Bankers	Lloyds Bank PLC Black Horse House Castle Park Cambridge Cambridgeshire CB3 0AR
Solicitors	Howes Percival The Guildyard 51 Colegate Norwich Norfolk NR3 1DD

CHALCROFT LIMITED

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CHALCROFT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present the strategic report and financial statements for the year ended 30 June 2017.

Fair review of the business

Chalcroft's Special Projects division once again had a good year as it sustained its work for Arqiva whilst continuing to gain new clients Thales and Cummins.

Chalcroft Property Development Limited continues to investigate the options on its two development sites to achieve maximum profitability within the current positive market environment.

Principal risks and uncertainties

The company is aware that it faces various risks in the future and has positioned itself to keep these to a minimum. The main risks to the business are credit, liquidity and profit margin which are all detailed below.

Credit Risk

Trade debtors pose the greatest credit risk to the business and therefore the credit department is rigorous in its collection of debt. All clients are reviewed on a regular basis to monitor their credit limits and payments history. Currently the majority of clients are blue chip in nature i.e. New Look, Bakkavor and Coty; The company will continue to focus on securing projects from such high profile organisations in the future to minimise risk of default on debt.

Liquidity Risk

Working capital requirements are monitored on a regular basis through current and projected cash flows to ensure existing finance facilities are sufficient. The company at present has no business loans, reflecting its current positive financial position. All banking facilities are reviewed on an annual basis to ensure their suitability for the business.

Profit Margins

The company reviews profit margins on a monthly basis to gain a clear understanding of any issues that could materially affect its continued profitability. The company continues to enhance its margins by operational efficiencies, cost controls and procurement.

Environmental, Health & Safety

The company recognises that Health, Safety and Welfare of all parties involved in its works, or that could be affected by its works, are of the utmost importance and place "Safety First" and the Environment as the highest priorities. The company continues to invest in these key areas of the business year on year resulting this year in expanding its currently team of Health and Safety Managers.

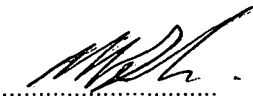
Key performance indicators

The Group uses a variety of performance measures to monitor and manage the business effectively. The most significant of these are the key performance indicators.

The key performance indicators are:

- Turnover has increased by £1,679,729 to £58,413,450 which is due to increased market activity and our new Birmingham office.
- Margins have remained fairly consistent with a small increase from 6.04% to 6.63%.

On behalf of the board



Mr Mark Reeve

Director

28/03/2018

CHALCROFT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

Principal activities

Chalcroft Limited operates throughout the UK in the construction industry primarily within the food, beverage, pharmaceutical, warehousing and distribution sectors, it also has Special Project division.

Directors

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

Mr Mark Reeve
Mr David Reeve
Mr S England
Mr P Morley
Mr T Hallam

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.

Future developments

In the forthcoming financial year Chalcroft understands that even though it has placed itself in resilient areas of the construction industry it would only be prudent to take a conservative view on projections for the forthcoming year. However business enquiries and therefore sales are forecast to be greater than last year with over £30m already secured for the financial year ending June 2018.

Chalcroft continues to review its overhead on a regular basis to ensure it is competitive within its chosen markets.

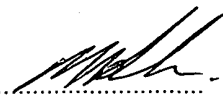
Auditor

In accordance with the company's articles, a resolution proposing that Mapus-Smith & Lemmon LLP be reappointed as auditor of the company will be put at a General Meeting.

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 Mark Reeve
Director
Date: 28/03/2018

CHALCROFT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

CHALCROFT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHALCROFT LIMITED

Opinion

We have audited the financial statements of Chalcroft Limited (the 'company') for the year ended 30 June 2017 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 June 2017 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 19 to the financial statements. Note 19 concerns the uncertain outcome of an appeal made against VAT penalties, in respect of prior periods, issued by HMRC totalling £291,619. The directors consider that the delayed tax provisions apply and according to the independent professional advice received by the directors, the penalty should be £18,226. A provision has been made in the financial statements as at 30 June 2017 for penalties amounting to £18,226.

The ultimate outcome of the appeal cannot presently be determined. If the appeal is unsuccessful then an additional liability of £273,393 will become due which has not been provided for in these financial statements.

Conclusions relating to going concern

We draw attention to note 1.2 in the financial statement. If amounts recoverable on contracts are not recovered then this could result in a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Disputes with customers arise in the ordinary course of business and can take significant time to resolve. The directors are confident, based on their knowledge of the contracts and legal advice taken, that the debtors shown on the balance sheet are recoverable and have therefore used the going concern basis of accounting in the preparation of the financial statements. Our opinion is not modified in respect of this matter.

CHALCROFT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CHALCROFT LIMITED

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.

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.

CHALCROFT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CHALCROFT LIMITED

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.

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.



Sharon Edwards (Senior Statutory Auditor)
for and on behalf of Mapus-Smith & Lemmon LLP

28/05/2018

Chartered Accountants
Statutory Auditor

48 King Street
King's Lynn
Norfolk
PE30 1HE

CHALCROFT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	2016 £
Turnover	3	58,413,450	56,733,721
Cost of sales		(54,542,917)	(53,309,555)
Gross profit		<u>3,870,533</u>	<u>3,424,166</u>
Administrative expenses		(3,823,154)	(2,770,081)
Operating profit	4	<u>47,379</u>	<u>654,085</u>
Interest receivable and similar income	6	-	1,332
Interest payable and similar expenses	7	(19,862)	(11,206)
Profit before taxation		<u>27,517</u>	<u>644,211</u>
Tax on profit	8	(13,314)	(106,379)
Profit for the financial year		<u><u>14,203</u></u>	<u><u>537,832</u></u>

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

CHALCROFT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	2017 £	2016 £
Profit for the year	14,203	537,832
Other comprehensive income	-	-
Total comprehensive income for the year	<u>14,203</u>	<u>537,832</u>

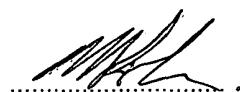
CHALCROFT LIMITED

BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	9		579,944		92,495
Current assets					
Debtors	11	18,693,125		20,749,240	
Cash at bank and in hand		1,593		1,616	
		<u>18,694,718</u>		<u>20,750,856</u>	
Creditors: amounts falling due within one year	12	<u>(15,701,526)</u>		<u>(17,284,418)</u>	
Net current assets			2,993,192		3,466,438
Total assets less current liabilities			<u>3,573,136</u>		<u>3,558,933</u>
Provisions for liabilities	15		(18,226)		(18,226)
Net assets			<u>3,554,910</u>		<u>3,540,707</u>
Capital and reserves					
Called up share capital	18		100		100
Capital redemption reserve			180,000		180,000
Profit and loss reserves			3,374,810		3,360,607
Total equity			<u>3,554,910</u>		<u>3,540,707</u>

The financial statements were approved by the board of directors and authorised for issue on 28/03/2018... and are signed on its behalf by:



Mr Mark Reeve
Director

Company Registration No. 01435810

CHALCROFT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 July 2015	100	180,000	2,822,775	3,002,875
Year ended 30 June 2016:				
Profit and total comprehensive income for the year	-	-	537,832	537,832
Balance at 30 June 2016	100	180,000	3,360,607	3,540,707
Year ended 30 June 2017:				
Profit and total comprehensive income for the year	-	-	14,203	14,203
Balance at 30 June 2017	100	180,000	3,374,810	3,554,910

CHALCROFT LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	23		(345,475)		8,308
Interest paid			(19,862)		(11,206)
Income taxes paid			-		(116,392)
Net cash outflow from operating activities			<u>(365,337)</u>		<u>(119,290)</u>
Investing activities					
Purchase of tangible fixed assets		(522,421)		(5,730)	
Proceeds on disposal of tangible fixed assets		20,950		549,783	
Proceeds from other investments and loans		2,000		(30,000)	
Interest received		-		1,332	
Net cash (used in)/generated from investing activities			<u>(499,471)</u>		<u>515,385</u>
Financing activities					
Payment of finance leases obligations		(20,585)		(8,304)	
Net cash used in financing activities			<u>(20,585)</u>		<u>(8,304)</u>
Net (decrease)/increase in cash and cash equivalents			<u>(885,393)</u>		<u>387,791</u>
Cash and cash equivalents at beginning of year			(1,321,567)		(1,709,358)
Cash and cash equivalents at end of year			<u><u>(2,206,960)</u></u>		<u><u>(1,321,567)</u></u>
Relating to:					
Cash at bank and in hand			1,593		1,616
Bank overdrafts included in creditors payable within one year			<u><u>(2,208,553)</u></u>		<u><u>(1,323,183)</u></u>

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Company information

Chalcroft Limited is a private company limited by shares incorporated in England and Wales. The registered office is 4 Campbells Business Park, Campbells Meadow, King's Lynn, Norfolk, PE30 4YR.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The company relies on an overdraft facility with its bankers for working capital.

The company has a healthy forward order book of over £25m and a number of profitable contracts which are ongoing at the present time. The directors have prepared forecasts for the period through to June 2018 and these show that the company anticipates trading profitably and remaining within its available facilities.

Note 2 to the financial statements explains the judgements made by the directors with respect to amounts recoverable on contracts. If amounts recoverable on contracts are not recovered then this could cause significant doubt on the company's ability to continue as a going concern. As per note 11 to the financial statements, the balance sheet includes £9,786,542 of amounts recoverable on contracts. Disputes with customers arise in the ordinary course of business and can take significant time to resolve. The directors are confident, based on their knowledge of the contracts and legal advice taken, that the debtors shown on the balance sheet are recoverable.

Based on the above, the directors have concluded that they have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result the directors have concluded that it is appropriate to continue adopting the going concern basis in preparing these financial statements.

1.3 Turnover

Turnover in respect of construction contracts represents the invoiced value of sales recognised at the point which the company has earned the right to the income. Value Added Tax is excluded from turnover.

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.

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

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 property	2% straight line basis
Leasehold property improvements	2% straight line basis
Plant and machinery	20% straight line basis
Fixtures, fittings & equipment	20% - 33% straight line basis
Motor vehicles	20% straight line basis

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.

1.5 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 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.

1.7 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.

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

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.

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.

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

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.

1.8 Equity instruments

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

1.9 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.10 Taxation

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

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

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

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. In accordance with Financial Reporting Standard 19, provision is made for deferred taxation in respect of all timing differences that have originated but not reversed by the balance sheet date. Provision is not made for deferred tax assets unless there is a reasonable certainty of their recover against future taxable profits. Deferred taxation balances are not discounted.

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.12 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.

1.13 Retirement benefits

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

1.14 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 the profit and loss account 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 income 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.

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

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.

- Amounts recoverable on contracts are recognised by reference to the proportion of work carried out and the profit included is calculated on a prudent basis which involves management judgement. The recoverability of the amounts included on the balance sheet at the year end is determined based on the contract documents in place, discussions with the customer and management judgement based on their long experience of trading in the construction sector.

3 Turnover and other revenue

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

	2017 £	2016 £
Turnover analysed by class of business		
Construction services	58,413,450	56,733,721
	<u>58,413,450</u>	<u>56,733,721</u>
	2017 £	2016 £
Other significant revenue		
Interest income	-	1,332
	<u>-</u>	<u>1,332</u>
	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	58,413,450	56,733,721
	<u>58,413,450</u>	<u>56,733,721</u>

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

1.15 Foreign exchange

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CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

7 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	17,025	11,007
Interest on finance leases and hire purchase contracts	2,837	199
	<u>19,862</u>	<u>11,206</u>

8 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	5,366	95,122
Adjustments in respect of prior periods	(3,250)	(152)
Total current tax	<u>2,116</u>	<u>94,970</u>
Deferred tax		
Origination and reversal of timing differences	<u>11,198</u>	<u>11,409</u>
Total tax charge	<u>13,314</u>	<u>106,379</u>

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:

	2017 £	2016 £
Profit before taxation	<u>27,517</u>	<u>644,211</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	5,228	128,842
Tax effect of expenses that are not deductible in determining taxable profit	6,830	9,039
Effect of change in corporation tax rate	105	-
Permanent capital allowances in excess of depreciation	(9,397)	(52,509)
Under/(over) provided in prior years	(3,250)	(152)
Other tax adjustments	2,600	9,750
Origination and reversal of timing differences	<u>11,198</u>	<u>11,409</u>
Taxation for the year	<u>13,314</u>	<u>106,379</u>

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

9 Tangible fixed assets

	Freehold property £	Leasehold property improvements £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost						
At 1 July 2016	-	68,537	49,465	689,733	63,108	870,843
Additions	507,671	-	-	-	14,750	522,421
Disposals	-	-	-	-	(54,007)	(54,007)
At 30 June 2017	507,671	68,537	49,465	689,733	23,851	1,339,257
Depreciation and impairment						
At 1 July 2016	-	8,591	48,228	684,523	37,007	778,349
Depreciation charged in the year	5,162	1,371	1,237	338	6,223	14,331
Eliminated in respect of disposals	-	-	-	-	(33,367)	(33,367)
At 30 June 2017	5,162	9,962	49,465	684,861	9,863	759,313
Carrying amount						
At 30 June 2017	502,509	58,575	-	4,872	13,988	579,944
At 30 June 2016	-	59,946	1,238	5,210	26,101	92,495

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

9 Tangible fixed assets

(Continued)

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

	2017 £	2016 £
Motor vehicles	-	23,220
Depreciation charge for the year in respect of leased assets	-	7,740

10 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	8,378,785	6,895,775
Carrying amount of financial liabilities		
Measured at amortised cost	14,734,273	16,588,337

11 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	2,162,750	1,221,005
Gross amounts due from contract customers	9,786,542	13,574,701
Amounts owed by group undertakings	6,178,035	5,634,770
Other debtors	38,000	40,000
Prepayments and accrued income	463,503	203,271
	18,628,830	20,673,747
Deferred tax asset (note 16)	64,295	75,493
	18,693,125	20,749,240

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

12 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	13	2,208,553	1,323,183
Obligations under finance leases	14	-	20,586
Trade creditors		12,260,786	15,005,947
Corporation tax		97,238	95,122
Other taxation and social security		870,015	600,959
Other creditors		22,680	25
Accruals and deferred income		242,254	238,596
		<u>15,701,526</u>	<u>17,284,418</u>

13 Loans and overdrafts

	2017 £	2016 £
Bank overdrafts	<u>2,208,553</u>	<u>1,323,183</u>
Payable within one year	<u>2,208,553</u>	<u>1,323,183</u>

It is a condition of the bank overdraft facility that the amount owing shall be secured as follows:

- the bank overdraft is secured by legal charges dated 11 May 2007 and 11 May 2011 over various commercial and residential freehold land and buildings owned by the group.
- an omnibus guarantee and set off agreement dated 20 April 2009 between the bank, Chalcroft Holdings Limited and Chalcroft Limited.
- an unlimited debenture dated 11 May 2007 from Chalcroft Holdings Limited.
- an omnibus guarantee and set off agreement dated 5 January 2012 between the bank, Chalcroft Holdings Limited, Chalcroft Limited and Chalcroft Property Developments Limited.

14 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	<u>-</u>	<u>20,586</u>

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 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

15 Provisions for liabilities

	2017 £	2016 £
Other provision	18,226	18,226
	<u> </u>	<u> </u>
Movements on provisions:		Other provision £
At 1 July 2016 and 30 June 2017		18,226
		<u> </u>

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2017 £	Assets 2016 £
Balances:		
Accelerated capital allowances	64,295	75,493
	<u> </u>	<u> </u>
Movements in the year:		2017 £
Liability/(Asset) at 1 July 2016		(75,493)
Charge to profit or loss		11,198
		<u> </u>
Liability/(Asset) at 30 June 2017		(64,295)
		<u> </u>

The deferred tax asset set out above is expected to reverse within the next 5 years and relates to decelerated capital allowances that are expected to be claimed within the same period.

17 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	30,225	29,687
	<u> </u>	<u> </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.

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

18 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
100 Ordinary of £1 each	100	100
	<u>100</u>	<u>100</u>

19 Financial commitments, guarantees and contingent liabilities

Performance bonds

The company has entered into performance bonds in the ordinary course of business. At 30 June 2017, indemnities outstanding amounted to £845,432 (2016 - £2,878,096).

Bank cross guarantee

The banking facilities of the parent company, Chalcroft Holdings Limited, and fellow group subsidiary, Chalcroft Property Developments Limited, are secured by cross guarantee and omnibus letter of set-off dated 5 January 2012. At the year end these amounted to £2 (2016 - £500,002), full details are set out in the group consolidated financial statements.

VAT matters

During the year ended 30 June 2013, irregularities in the Group's VAT affairs came to light. The irregularities enabled the Group to obtain a temporary but significant cash flow advantage over an extended period of time. No individual made any personal financial gain from the arrangement, and the position has now been regularised and all the related amounts of VAT, together with interest, paid over to HMRC. The directors have made full disclosure to HMRC, and have co-operated fully and openly with all of HMRC's ongoing enquiries in respect of the matter. An assessment has been issued by HMRC for penalties which arise as a result of the misdeclaration of VAT. This penalty is currently still under appeal and following recent HMRC correspondence and professional advice the directors have estimated the penalty provision at £18,226. The directors feel the provision made in these financial statements is a full account of the probable outcome and that the likelihood of any further penalty is remote.

20 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:

	2017 £	2016 £
Within one year	27,950	27,950
Between two and five years	31,717	59,667
	<u>59,667</u>	<u>87,617</u>

21 Directors' transactions

CHALCROFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

21 Directors' transactions

(Continued)

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Mr Mark Reeve -	-	10,000	-	-	10,000
Mr David Reeve -	-	10,000	-	-	10,000
Mr S England -	-	10,000	-	(10,000)	-
Mr T Hallam -	-	-	8,000	-	8,000
		<u>30,000</u>	<u>8,000</u>	<u>(10,000)</u>	<u>28,000</u>

22 Controlling party

The parent company of Chalcroft Limited is Chalcroft Holdings Limited.

In the opinion of the directors there is no single ultimate controlling party within Chalcroft Holdings Limited.

The results of Chalcroft Limited are included in the consolidated financial statements of Chalcroft Holdings Limited which are available for download at Companies House.

23 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	14,203	537,832
Adjustments for:		
Taxation charged	13,314	106,379
Finance costs	19,862	11,206
Investment income	-	(1,332)
Gain on disposal of tangible fixed assets	(310)	(248,656)
Depreciation and impairment of tangible fixed assets	14,331	50,930
Movements in working capital:		
Decrease/(increase) in debtors	2,042,917	(7,280,494)
(Decrease)/increase in creditors	(2,449,792)	6,832,443
Cash (absorbed by)/generated from operations	<u>(345,475)</u>	<u>8,308</u>

CHALCROFT LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

		2017		2016
	£	£	£	£
Turnover				
Work done		58,413,450		56,733,721
Cost of sales				
Materials	10,121,264		6,565,996	
Purchases and other direct costs	9,464,368		24,851,666	
Wages and salaries	2,245,931		2,260,827	
Subcontract labour	29,533,527		17,285,086	
Consumables	499,235		521,464	
Rent re licences and other	202,387		166,322	
Rates	10,748		20,640	
Power, light and heat	316,581		115,829	
Maintenance	88,631		93,249	
Depreciation recharged from overheads	3,643		19,354	
Repairs to plant and machinery	23,364		9,643	
Hire of plant and machinery	1,951,759		1,335,106	
Sundry expenses	81,479		64,373	
		(54,542,917)		(53,309,555)
Gross profit	6.63%	3,870,533	6.04%	3,424,166
Administrative expenses		(3,823,154)		(2,770,081)
Operating profit		47,379		654,085
Investment revenues				
Bank interest received	-		1,332	
				1,332
Interest payable and similar expenses				
Bank interest paid	17,025		11,007	
Hire purchase interest paid	2,837		199	
		(19,862)		(11,206)
Profit before taxation	0.05%	27,517	1.14%	644,211

CHALCROFT LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 30 JUNE 2017

	2017 £	2016 £
Administrative expenses		
Wages and salaries	1,394,594	1,300,797
Staff training	13,207	7,442
Staff pension costs	30,225	29,687
Healthcare	46,362	37,243
Management charge	1,181,274	797,809
Rent re operating leases	43,980	39,601
Rates	45,884	39,135
Light and heat	9,013	12,450
Repairs and maintenance	279,013	199,628
Insurance	226,200	173,121
Equipment leasing	3,699	1,331
Motor running expenses	145,501	147,978
Travelling expenses	46,774	55,801
Legal and professional fees	77,319	29,001
Consultancy fees	104,072	133,249
Accountancy	36,162	19,607
Audit fees	18,000	18,000
Sponsorship	4,173	3,150
Bank charges	48,407	74,064
Bad and doubtful debts	1,740	26,543
Printing, postage and stationery	35,278	48,644
Advertising	48,358	77,243
WIP cost adjustment	739	2,174
Rebates	(37,852)	(14,519)
Expenses reanalysed as cost of sales	(90,818)	(170,554)
Telephone	74,782	57,191
Subcontractor retention write offs	(113,163)	(252,310)
Entertaining	16,505	2,785
Sundry expenses	45,462	10,806
CITB levy	13,036	(550)
Health and safety	61,207	66,265
Depreciation	14,331	50,930
Profit or loss on sale of tangible assets (non exceptional)	(310)	(248,656)
Profit or loss on foreign exchange	-	(5,005)
	<u>3,823,154</u>	<u>2,770,081</u>