
E R H COMMUNICATIONS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



E R H COMMUNICATIONS LIMITED

COMPANY INFORMATION

DIRECTORS

Mr A Groves
Mr R J Castle
Mr D T Jones
Mr L C Beattie
Mr N Howell
Mr R Evans
Mr L Emery

COMPANY SECRETARY

Mr N Howell

REGISTERED NUMBER

02697046

REGISTERED OFFICE

Dean Road
Yate
Bristol
BS37 5NR

INDEPENDENT AUDITOR

Nexia Smith & Williamson
Chartered Accountants & Statutory Auditors
Portwall Place
Portwall Lane
Bristol
BS1 6NA

E R H COMMUNICATIONS LIMITED

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E R H COMMUNICATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were Civil Engineering, Fibre Optic Engineering and Communications Systems Installation and associated Maintenance, Surveillance Systems, Traffic Management, Street Lighting and Tunnel Maintenance

BUSINESS REVIEW

ERH Communications Ltd performed very well in 2012 and has delivered a strong set of results for the financial year, despite the continuing difficulties experienced by the UK economy and the construction and civil engineering sectors in particular

Restrictions on public investment and spending, limited funding and low investor confidence have continued to limit work volumes, resulting in stiff competition within the market and a squeeze on margins. Against this backdrop the Company has increased volume by 56% compared with 2011 while increasing the net margin before tax from 2.1% to 4.0%. This has been achieved by growing the business in a number of key sectors, including highways maintenance, civil engineering contracting and communications infrastructure, with particular emphasis on quality and innovation.

The Company's strategic focus is on securing places on key infrastructure frameworks while at the same time developing long-term partnering relationships with key customers. To this end the business succeeded during the year in re-securing the four year Ancillary Works highways infrastructure framework with the Welsh Government. It also won a place on the five year NMWTRA framework (covering Welsh trunk road infrastructure works), and has secured a place on the four year, £200m South East Wales Highways Framework Agreement.

The Company is increasingly recognised in the market as an innovative, high quality, solution-focussed contractor. As such it is well-placed to thrive in a competitive and demanding market.

RESULTS

The profit for the year, after taxation, amounted to £779,294 (2011 - £248,696)

DIRECTORS

The directors who served during the year were

Mr A Groves
Mr R J Castle
Mr D T Jones
Mr L C Beattie
Mr N Howell
Mr R Evans
Mr L Emery

E R H COMMUNICATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL RISK MANAGEMENT

Objectives

The financial risk management objectives of the company are set by the board of directors with a view to minimising the company's exposure to price risk, credit risk, liquidity risk and cash flow risk

Policies

The company finances its operations through the generation of cash from operating activities, bank and group borrowings. Interest rate exposure is managed through regular reviews of borrowing agreements. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 judgments 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.

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

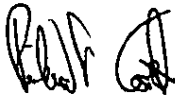
E R H COMMUNICATIONS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

AUDITOR

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 8 JULY 2013 and signed on its behalf



Mr R J Castle
Director

E R H COMMUNICATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E R H COMMUNICATIONS LIMITED

We have audited the financial statements of E R H Communications Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

E R H COMMUNICATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E R H COMMUNICATIONS LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

Nexia Smith & Williamson

Michael Neale (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants & Statutory Auditors

Portwall Place

Portwall Lane

Bristol

BS1 6NA

Date

8 JULY 2013

E R H COMMUNICATIONS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	24,576,527	15,803,866
Cost of sales		<u>(21,058,732)</u>	<u>(13,027,772)</u>
GROSS PROFIT		3,517,795	2,776,094
Administrative expenses		<u>(2,522,679)</u>	<u>(2,449,209)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		995,116	326,885
Tax on profit on ordinary activities	6	<u>(215,822)</u>	<u>(78,189)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>779,294</u>	<u>248,696</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

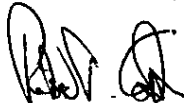
The notes on pages 8 to 14 form part of these financial statements

E R H COMMUNICATIONS LIMITED
REGISTERED NUMBER: 02697046

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£	2012 £	£	2011 £
CURRENT ASSETS					
Stocks	7	105,659		95,058	
Debtors	8	5,236,254		3,010,154	
Cash at bank and in hand		1,843,812		1,684,421	
		<u>7,185,725</u>		<u>4,789,633</u>	
CREDITORS: amounts falling due within one year	9	<u>(5,573,734)</u>		<u>(3,956,936)</u>	
NET CURRENT ASSETS			<u>1,611,991</u>		<u>832,697</u>
NET ASSETS			<u>1,611,991</u>		<u>832,697</u>
CAPITAL AND RESERVES					
Called up share capital	11		10,000		10,000
Profit and loss account	12		1,601,991		822,697
EQUITY SHAREHOLDERS' FUNDS	13		<u>1,611,991</u>		<u>832,697</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
8 JULY 2013



Mr R J Castle
Director

The notes on pages 8 to 14 form part of these financial statements

E R H COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard 1

1.3 Turnover

Turnover, which is stated net of value added tax, represents the value of services provided to third parties except in respect of long term contract work in progress where turnover represents the sales value of work done in the year

1.4 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

1.5 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks

1.6 Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

1.8 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only when their recovery is more likely than not. Deferred taxation balances are not discounted

E R H COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

2. TURNOVER

The whole of the turnover is attributable to the principal activities of the company

All turnover arose within the United Kingdom

3. OPERATING PROFIT

The operating profit is stated after charging

	2012	2011
	£	£
Auditor's remuneration	6,000	6,400

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012	2011
	£	£
Wages and salaries	4,733,782	3,956,856
Social security costs	313,113	284,916
Other pension costs	54,658	91,821
	5,101,553	4,333,593

The above payroll costs are inclusive of £245,250 (2011 - £nil) of costs recharged from E R H (Holdings) Limited which were paid through the holding company for work performed on behalf of E R H Communications Limited

The average monthly number of employees, including the directors, during the year was as follows

	2012	2011
	No.	No
Direct	97	99
Management and office	12	19
	109	118

Certain employees included in the prior year disclosure have been reclassified between categories to better reflect their roles

E R H COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

5. DIRECTORS' REMUNERATION

	2012	2011
	£	£
Emoluments	421,390	614,767
Company pension contributions to defined contribution pension schemes	21,999	48,563

During the year retirement benefits were accruing to 4 directors (2011 - 7) in respect of defined contribution pension schemes

The highest paid director received remuneration of £118,447 (2011 - £135,839)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,933 (2011 - £8,000)

6. TAXATION

	2012	2011
	£	£
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	258,186	77,992
Adjustments in respect of prior periods	(42,364)	197
Tax on profit on ordinary activities	215,822	78,189

E R H COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

6. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	995,116	326,885
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%)	243,803	86,602
Effects of:		
Expenses not deductible for tax purposes	3,980	5,354
Capital allowances for year in excess of depreciation	(75)	(110)
Marginal relief	-	(1,189)
Adjustments to tax charge in respect of prior periods	(42,364)	197
Other short term timing differences	(3,642)	1,455
Group relief	-	(14,120)
Group relief paid	14,120	-
Current tax charge for the year (see note above)	215,822	78,189

7. STOCKS

	2012 £	2011 £
Raw materials	105,659	95,058

8. DEBTORS

	2012 £	2011 £
Trade debtors	2,949,396	1,182,232
Amounts owed by group undertakings	200,050	-
Other debtors	-	3,577
Prepayments and accrued income	5,219	23,568
Amounts recoverable on long term contracts	2,081,589	1,800,777
	5,236,254	3,010,154

E R H COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

9. CREDITORS:

Amounts falling due within one year

	2012	2011
	£	£
Payments received on account	565,525	318,213
Trade creditors	2,742,397	1,700,694
Amounts owed to group undertakings	1,200,586	1,317,919
Corporation tax	244,066	77,992
Social security and other taxes	514,168	321,765
Accruals and deferred income	306,992	220,353
	<u>5,573,734</u>	<u>3,956,936</u>

10. DEFERRED TAXATION

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows

	2012	2011
	£	£
Short term timing differences	<u>2,991</u>	<u>7,018</u>

11. SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid		
10,000 Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>

12. RESERVES

	Profit and loss account £
At 1 January 2012	822,697
Profit for the year	779,294
	<u>1,601,991</u>
At 31 December 2012	

E R H COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds	832,697	584,001
Profit for the year	779,294	248,696
Closing shareholders' funds	<u>1,611,991</u>	<u>832,697</u>

14. OPERATING LEASE COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	2011 £
Expiry date:		
Within 1 year	70,000	-
Between 2 and 5 years	<u>-</u>	<u>70,000</u>

15. CONTINGENCIES

The company has a group cross guarantee with E R H (Holdings) Limited, E R Hemmings (Building) Limited, ERH Construction Limited and HemTech Systems Limited in respect of bank borrowings. At the year end these companies had borrowings as below

	2012 £	2011 £
E R H (Holdings) Limited	2,107,667	524,153
E R Hemmings (Building) Limited	<u>986,884</u>	<u>1,630,754</u>

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the Financial Reporting Standard 8 exemption from providing details of related party transactions with group companies as it is a wholly owned subsidiary and the ultimate parent company prepares consolidated financial statements

During the year E R H Communications Limited paid rent of £81,700 (2011 - £81,700) to E R Hemmings (Building) Executive Pension Scheme, of which certain directors are trustees and members. As at 31 December 2012 £nil (2011 - £2,067) was outstanding

E R H COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is E R H (Holdings) Limited, a company registered in England & Wales. The ultimate controlling party is Mr E R Hemmings, a director of the parent company. Copies of the group financial statements of E R H (Holdings) Limited are available from Companies House, Crown Way, Maundy, Cardiff CF14 3UZ.