

Registration number: 02697046

ERH Communications Limited

Annual Report and Financial Statements

for the Period from 1 October 2015 to 31 May 2016

WBV Limited
The Third Floor
Langdon House
Langdon Road
Swansea
SA1 8QY



ERH Communications Limited

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ERH Communications Limited

Company Information

Directors	Mr J C Mathias Mr G Morgan
Registered office	Parcau Isaf Farm Laleston Bridgend CF32 0NB
Auditors	WBV Limited The Third Floor Langdon House Langdon Road Swansea SA1 8QY

ERH Communications Limited

Strategic Report for the Period from 1 October 2015 to 31 May 2016

The Directors present their strategic report for the period from 1 October 2015 to 31 May 2016.

Principal activity

The principal activity of the company is Civil engineering, fibre optic engineering and communication systems installation and associated maintenance, surveillance systems, traffic management, street lighting and tunnel maintenance.

Fair review of the business

The company's strategic focus is within infrastructure frameworks.

The gross profit margin is 6.86% (30/09/2015: 18.62%) and for the 8 month period total sales have decreased by 40% from 30/09/2015.

The company's staffing levels have decreased from 70 in 30/09/2015 to 65 in 31/05/2016.

The company's bank balances have increased from £53,018 at 30 September 2015 to £79,206 at 31 May 2016.


The company's level of working capital has decreased, with a net current liability of £2,380,024 at 31 May 2016 (£1,653,288 at 30 September 2015).

Given the straightforward nature of the business, the group's directors are of the opinion that an analysis of Key Performance Indicators is not necessary for an understanding of development, performance or position of the entity.

Principal risks and uncertainties

In common with similar businesses, the company is at risk from adverse changes in economic conditions, customers' tighter budgets and being unable to recruit staff. The directors have carefully considered the financial risks involved in undertaking its range of activities, and consider the company has an appropriate level of specialist staff to supervise and control its operations.

Approved by the Board on 24 February 2017 and signed on its behalf by:


.....
Mr J C Mathias
Director

ERH Communications Limited

Directors' Report for the Period from 1 October 2015 to 31 May 2016

The Directors present their report and the financial statements for the period from 1 October 2015 to 31 May 2016.

Directors of the Company

The directors who held office during the period were as follows:

Mr D M Mathias (Retired 28 July 2016)

Mr G Morgan

The following director was appointed after the period end:

Mr J C Mathias (appointed 28 July 2016)

Financial instruments

Objectives and policies

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

The company finances its operations through the generation of cash from operating activities, bank and group borrowings.

Price risk, credit risk, liquidity risk and cash flow risk

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.

Going concern

The financial statements have been prepared on a going concern basis in the knowledge of the on-going support of the associated company, Centregreat Limited.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of WBV Limited as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 24 February 2017 and signed on its behalf by:

.....
Mr J C Mathias
Director

ERH Communications Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

ERH Communications Limited

Independent Auditor's Report

We have audited the financial statements of ERH Communications Limited for the period from 1 October 2015 to 31 May 2016, set out on pages 7 to 20. 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Statement of Directors' Responsibilities (set out on page 4), 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 (APB's) Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 May 2016 and of its loss for the period 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 Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter

In forming our opinion which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. At 31 May 2016 the company's current liabilities exceeded its total assets by £2,380,024. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

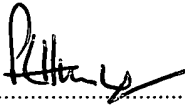
ERH Communications Limited

Independent Auditor's Report

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
- the directors were not entitled to prepare financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Philip Hunkin BSc FCA (Senior Statutory Auditor)
For and on behalf of WBV Limited, Statutory Auditor

The Third Floor
Langdon House
Langdon Road
Swansea
SA1 8QY

24 February 2017

ERH Communications Limited

Profit and Loss Account for the Period from 1 October 2015 to 31 May 2016

		1 October 2015 to 31 May 2016	1 February 2015 to 30 September 2015
	Note	£	£
Turnover	3	6,628,915	11,061,539
Cost of sales		<u>(6,173,940)</u>	<u>(9,001,930)</u>
Gross profit		454,975	2,059,609
Administrative expenses		<u>(1,139,384)</u>	<u>(1,973,174)</u>
Operating (loss)/profit	4	<u>(684,409)</u>	<u>86,435</u>
Interest payable and similar charges	5	<u>(42,327)</u>	<u>(13,720)</u>
		<u>(42,327)</u>	<u>(13,720)</u>
(Loss)/profit before tax		<u>(726,736)</u>	<u>72,715</u>
(Loss)/profit for the financial period		<u><u>(726,736)</u></u>	<u><u>72,715</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the period other than the results above.

ERH Communications Limited

Statement of Income and Retained Earnings for the Period from 1 October 2015 to 31 May 2016

		1 October 2015 to 31 May 2016	1 February 2015 to 30 September 2015
	Note	£	£
Turnover	3	6,628,915	11,061,539
Cost of sales		<u>(6,173,940)</u>	<u>(9,001,930)</u>
Gross profit		454,975	2,059,609
Administrative expenses		<u>(1,139,384)</u>	<u>(1,973,174)</u>
Operating (loss)/profit	4	<u>(684,409)</u>	<u>86,435</u>
Interest payable and similar charges	5	<u>(42,327)</u>	<u>(13,720)</u>
		<u>(42,327)</u>	<u>(13,720)</u>
(Loss)/profit before tax		<u>(726,736)</u>	<u>72,715</u>
(Loss)/profit for the financial period		(726,736)	72,715
Retained earnings brought forward		<u>(1,663,288)</u>	<u>(1,736,003)</u>
Retained earnings carried forward		<u><u>(2,390,024)</u></u>	<u><u>(1,663,288)</u></u>

The notes on pages 11 to 20 form an integral part of these financial statements.

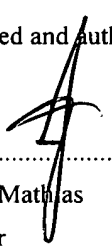
ERH Communications Limited

(Registration number: 02697046)

Balance Sheet as at 31 May 2016

	Note	31 May 2016 £	30 September 2015 £
Current assets			
Stocks	9	420,591	714,541
Debtors	10	2,154,560	1,628,789
Cash at bank and in hand		<u>79,206</u>	<u>53,018</u>
		2,654,357	2,396,348
Creditors: Amounts falling due within one year	12	<u>(5,034,381)</u>	<u>(4,049,636)</u>
Net liabilities		<u>(2,380,024)</u>	<u>(1,653,288)</u>
Capital and reserves			
Called up share capital	14	10,000	10,000
Profit and loss account	15	<u>(2,390,024)</u>	<u>(1,663,288)</u>
Total equity		<u>(2,380,024)</u>	<u>(1,653,288)</u>

Approved and authorised by the Board on 24 February 2017 and signed on its behalf by:


.....
Mr J C Mathias
Director

The notes on pages 11 to 20 form an integral part of these financial statements.

ERH Communications Limited

Statement of Cash Flows for the Period from 1 October 2015 to 31 May 2016

		1 October 2015 to 31 May 2016 £	1 February 2015 to 30 September 2015 £
Cash flows from operating activities			
(Loss)/profit for the period		(726,736)	72,715
Adjustments to cash flows from non-cash items			
Finance costs	5	<u>42,327</u>	<u>13,720</u>
		(684,409)	86,435
Working capital adjustments			
Decrease/(increase) in stocks	9	293,950	(672,811)
(Increase)/decrease in trade debtors	10	(525,771)	380,791
Increase in trade creditors	12	<u>984,745</u>	<u>192,920</u>
Net cash flow from operating activities		68,515	(12,665)
Cash flows from financing activities			
Interest paid	5	<u>(42,327)</u>	<u>(13,720)</u>
Net increase/(decrease) in cash and cash equivalents		26,188	(26,385)
Cash and cash equivalents at 1 October		<u>53,018</u>	<u>79,403</u>
Cash and cash equivalents at 31 May		<u><u>79,206</u></u>	<u><u>53,018</u></u>

The notes on pages 11 to 20 form an integral part of these financial statements.

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

1 General information

The company is a private company limited by share capital incorporated in England & Wales.

The address of its registered office is:

Parcau Isaf Farm

Laleston

Bridgend

CF32 0NB

The principal place of business is:

Grange Industrial Estate

Cwmbran

NP44 8HQ

These financial statements were authorised for issue by the Board on 24 February 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention. The going concern basis has been adopted in the knowledge of the on-going support of Centregreat Ltd.

Going concern

The directors are aware that the company's liabilities exceeded its assets at 31 May 2016. The directors have considered the company's current financial and trading position and they are satisfied that based on the continued support of Centregreat Ltd the company will trade profitably in the future and be able to meet its liabilities as they fall due.

The trading position is expected to improve and current financial information supports this view.

On this basis the directors are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

An emphasis of matter paragraph has been included in the Auditor's Report to highlight this issue. At 31 May 2016 there are net current liabilities of £2,380,024 and although the company is now profit making the profits are not sufficient to clear the negatives reserves in the near future.

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the Company's activities.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

A deferred tax asset is only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable profits against which to recover carried forward tax losses and / or from which the future reversal of underlying timing differences can be deducted.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised at the transaction price.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

3 Revenue

The analysis of the company's revenue for the period from continuing operations is as follows:

	1 October 2015 to 31 May 2016	1 February 2015 to 30 September 2015
	£	£
Turnover	<u>6,628,915</u>	<u>11,061,539</u>

The analysis of the company's turnover for the period by class of business is as follows:

	1 October 2015 to 31 May 2016	1 February 2015 to 30 September 2015
	£	£
Rendering of services	<u>6,628,915</u>	<u>11,061,539</u>

The analysis of the company's turnover for the period by market is as follows:

	1 October 2015 to 31 May 2016	1 February 2015 to 30 September 2015
	£	£
UK	<u>6,628,915</u>	<u>11,061,539</u>

4 Operating loss

Arrived at after charging/(crediting)

	1 October 2015 to 31 May 2016	1 February 2015 to 30 September 2015
	£	£
Audit of the financial statements	<u>7,750</u>	<u>7,500</u>

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

5 Interest payable and similar charges

	1 October 2015 to 31 May 2016 £	1 February 2015 to 30 September 2015 £
Interest on bank overdrafts and borrowings	-	790
Interest expense on other finance liabilities	42,327	12,930
	<u>42,327</u>	<u>13,720</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	1 October 2015 to 31 May 2016 £	1 February 2015 to 30 September 2015 £
Wages and salaries	1,497,862	2,031,804
Social security costs	156,576	224,557
Pension costs, defined contribution scheme	44,694	102,366
Other post-employment benefit costs	57,536	41,326
Other employee expense	7,214	4,437
	<u>1,763,882</u>	<u>2,404,490</u>

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	1 October 2015 to 31 May 2016 No.	1 February 2015 to 30 September 2015 No.
Production	47	48
Administration and support	18	22
	<u>65</u>	<u>70</u>

7 Auditors' remuneration

	1 October 2015 to 31 May 2016 £	1 February 2015 to 30 September 2015 £
Audit of the financial statements	<u>7,750</u>	<u>7,500</u>

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

8 Taxation

The tax on profit before tax for the period is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20%).

The differences are reconciled below:

	1 October 2015 to 31 May 2016 £	1 February 2015 to 30 September 2015 £
(Loss)/profit before tax	(726,736)	72,715
Corporation tax at standard rate	(145,347)	14,543
Effect of expense not deductible in determining taxable profit (tax loss)	8,695	22,754
Effect of tax losses	136,671	(37,276)
Tax increase (decrease) from effect of capital allowances and depreciation	(19)	(21)
Total tax charge/(credit)	-	-

9 Stocks

	31 May 2016 £	30 September 2015 £
Work in progress	420,591	714,541

10 Debtors

	31 May 2016 £	30 September 2015 £
Trade debtors	1,769,945	1,508,886
Other debtors	346,620	78,460
Prepayments	37,995	41,443
Total current trade and other debtors	2,154,560	1,628,789

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

11 Cash and cash equivalents

	31 May 2016	30 September 2015
	£	£
Cash on hand	37	-
Cash at bank	79,169	53,018
	<u>79,206</u>	<u>53,018</u>

12 Creditors

		31 May 2016	30 September 2015
	Note	£	£
Due within one year			
Trade creditors		1,409,824	1,529,473
Amounts due to related parties	18	1,854,639	380,409
Social security and other taxes		866,096	589,314
Other payables		803,287	1,351,683
Accrued expenses		100,535	198,757
		<u>5,034,381</u>	<u>4,049,636</u>

13 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £44,694 (2015 - £102,366).

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

14 Share capital

Allotted, called up and fully paid shares

	31 May 2016		30 September 2015	
	No.	£	No.	£
Ordinary Share Capital of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

15 Reserves

Share Capital

represents the nominal value of shares that have been issued

Profit & Loss

includes all current and prior periods retained profits and losses

16 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2016	2015
	£	£
Later than one year and not later than five years	60,000	60,000

The amount of non-cancellable operating lease payments recognised as an expense during the period was £45,000 (2015 - £40,000).

17 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2015 - £Nil).

18 Related party transactions

Summary of transactions with entities with joint control or significant interest

Related by virtue of common control

During the year, costs were recharged and services invoiced at market value.

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

Income and receivables from related parties

	Entities with joint control or significant influence £
2016	
Sale of goods	695
Receipt of services	57,217
	<u>57,912</u>
Amounts receivable from related party	<u>14,696</u>

	Entities with joint control or significant influence £
2015	
Receipt of services	20,640
Amounts receivable from related party	<u>88,787</u>

Expenditure with and payables to related parties

	Entities with joint control or significant influence £
2016	
Purchase of goods	225,909
Rendering of services	825,273
Leases	45,000
	<u>1,096,182</u>
Amounts payable to related party	<u>456,965</u>

	Entities with joint control or significant influence £
2015	
Rendering of services	3,002,358
Amounts payable to related party	<u>139,667</u>

Loans to related parties

	Entities with joint control or significant influence £
2016	
Advanced	<u>346,620</u>

ERH Communications Limited

Notes to the Financial Statements for the Period from 1 October 2015 to 31 May 2016

2015

Loans from related parties

2016

At start of period

Advanced

At end of period

**Entities with
joint control or
significant
influence**

£

380,409

1,474,230

1,854,639

**Entities with
joint control or
significant
influence**

£

3,611

376,798

380,409

2015

At start of period

Advanced

At end of period

19 Parent and ultimate parent undertaking

The company's immediate parent is Centregreat Construction Ltd, incorporated in England & Wales.

The ultimate controlling party is Mr J C Mathias.