Financial statements Pochin Construction Limited

For the nine month period ended 28 February 2015

Company No. 396388

Company information

Company number	396388
Registered office	Brooks Lane Middlewich Cheshire CW10 0JQ
Directors	J C Pochin R M Hatton J C Alexander J W P Nicholson R Fildes N K Rawlings
Company secretary	N K Rawlings
Bankers	The Royal Bank of Scotland plc 1 Hardman Boulevard Manchester M3 3AQ
Solicitors	Weightmans LLP Pall Mall Court 61 - 67 King Street Manchester M2 4PD
Auditor	PricewaterhouseCoopers LLP 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW

Pages

Strategic report

The directors present their strategic report on the company for the nine month trading period ended 28 February 2015.

Principal activities

The principal activity of the company during the period was construction.

Review of the business

It is good to be able to report a return to profitability and improved conditions in construction activity in the principal areas of operation, Northwest England and North Wales. This improvement has enabled the company to benefit from its established position as a well-regarded regional construction business with a reputation established over 80 years for quality and service.

The accompanying financial statements to 28 February 2015 show £58.2m of turnover and £0.6m of profit for the nine month period. The underlying profit, before exceptional costs of £0.8m on the cessation of geographically remote legacy contracts, is £1.4m.

Principal risks and uncertainties are listed below:

- The core construction contracts are now profitable, however there remain risks that subcontract costs may outstrip employer contract price increases, design issues arise on site, or other issues impair construction contract profitability. To manage the risk of supply chain failure all subcontractors are vetted rigorously to ensure they meet group safety standards. Also, the company only works with subcontractors who constantly meet group standards and the financial health of subcontractors is monitored regularly and payment is made on a timely basis to ensure viability is maintained.

Financial risk management

The company uses various financial instruments, these include cash and various items such as trade debtors and trade creditors that arise directly from operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

Credit risk

The company's principal financial asset is trade debtors. In order to manage the credit risk, credit checks are carried out on a regular basis to assess credit worthiness in conjunction with debt ageing and collection history.

Strategic report

Future developments

The company is aiming to maintain a sustainably profitable contracting business focussed in its core territory of North England and North Wales.

Key performance indicators ("KPIs")

The company's strategy is one of steady growth with improved profitability. The directors monitor progress against this strategy by reference to a number of KPI's.

Performance for the period, together with comparative data for the previous year is set out in the table below:

	9 months 2015	**12 months 2014**	**Definition, method of calculation and analysis**
Profit for the period before exceptional items	£1.4m	£0.5m	A satisfactory performance.
Accident incident rate	881	688	The overall Accident Incident Rate (AIR) for the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) has increased due to an increase in the number of minor incidents, but remains significantly lower than the construction industry (per no. x 100,000) average of 1,300.

On behalf of the board

J C Pochin
Director
13 July 2015

Directors' Report

The directors present their report together with the audited financial statements for the nine months ended 28 February 2015.

Future developments

An indication of the likely future developments of the business is included in the Strategic Report on page 3.

Charitable and political donations

Charitable donations during the period amounted to £2,200 (2014: £9,000). No political donations were made during the period (2014: £nil).

Results and dividends

There was a profit for the financial period after taxation amounting to £581,007 (2014: £7,090,213 loss). No interim dividend was declared during the period (2014: £nil) and the directors recommend no final dividend (2014: £nil). The total dividend for the period is therefore £nil (2014: £nil).

Directors

The directors of the company who were in office during the period and up to the date of signing of the financial statements were:

J C Pochin
R M Hatton
J C Alexander
J W P Nicholson
R Fildes
J G Moss (resigned 10 July 2014)
N K Rawlings

All directors served throughout the period unless otherwise indicated.

Financial risk management

Financial risk management is described in the Strategic report on page 3.

Directors' Report

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 period. Under that law the directors have prepared 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.

Statement of disclosure of information to auditors

In accordance with section 418, directors' reports shall include a statement, each of the persons who are directors at the time when this Report of the directors is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and

- the directors have taken all the steps that they ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' indemnities

The company maintained throughout the period, and at the date of approval of the financial statements, liability insurance for its directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

Directors' Report

Disabled employees

It is company policy to give full and fair consideration to the employment of disabled persons where they have the necessary abilities and skills for the position, and wherever possible the company continues to employ persons who become disabled whilst they are with the company. The company ensures that training, career development, and promotion opportunities for disabled persons are, as far as possible, identical to those of other employees who are not disabled.

Employee consultation

Information about the company and factors affecting its performance is provided to employees via Pochinet, the company's corporate intranet. A variety of approaches are adopted, aimed at encouraging the involvement of employees in effective communication and consultation, and the contribution of productive ideas at all levels. This includes a communications group in addition to the several steering committees established to promote and implement company strategy through improvements in working practices. The establishment and maintenance of safe working practices are of the greatest importance to the company and special training in health and safety is provided for employees. The company has produced health and safety policies to cover all aspects of its activities and the executive management and directors monitor adherence to these policies. Regular reports are fed back to the board who have ultimate responsibility for health and safety throughout the company.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors and signed by order of the board:

N K Rawlings
Secretary
13 July 2015

Independent auditors' report to the members of Pochin Construction Limited

Report on the financial statements

Our opinion

In our opinion the financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 28 February 2015 and of its profit for the period (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

Pochin Construction Limited's financial staments comprise:

- the balance sheet as at 28 February 2015;
- the profit and loss account for the nine month period then ended;
- the principal accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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).
In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Pochin Construction Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, set out on page 6, 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). 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.

We primarily focus our work in these areas by assessing the director' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements 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.

Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
13 July 2015

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

The principal accounting policies of the company have remained unchanged from the previous year and are set out below. The policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Going concern

The financial statements have been prepared on a going concern basis. The continuation of the company's activities is dependent upon the continuing support of its immediate parent company, Pochin's Limited. Pochin's Limited has provided a composite cross guarantee in favour of The Royal Bank of Scotland plc (RBS) in respect of the Pochin's Limited group overdrafts and bank loans.

Following the acquisition of Pochin's PLC by Middlewich Limited, and the sale of a portfolio of investment properties for £11.5m, the group, on 22 August 2014, extended its facilities with The Royal Bank of Scotland plc.

The new facilities comprised a term loan of £10m with scheduled repayments of £0.5m pa for a three year term from August 2014, a twelve month revolving credit facility of £4.0m, which reduced to £3.0m on 31 March 2015, and a short term facility of £1.2m repaid in December 2014. These facilities are secured against the Group's investment property assets.

On 15 June 2015 the loan facility was increased by £1.0m and extended to August 2018. The balance on 31 May 2015, prior to the above increase, was £8.6m due to selected disposals.

The group is also benefitting from selective disposals of surplus land held in inventories and other assets that are not specifically charged to the bank giving rise to additional free cash flow. Hence the board are satisfied that the group has sufficient facilities for the foreseeable future.

On this basis and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The company is exempt from preparing consolidated financial statements under Section 400 of the Companies Act 2006. The results of this company are included in the consolidated financial statements of Pochin's Limited, a company registered in England and Wales.

These financial statements present information about the company as an individual undertaking, and not about its group.

Principal accounting policies

Related party transactions

Advantage has been taken of the exemption in FRS 8 in respect of the disclosure of transactions and balances with other wholly owned group companies.

Cash flow statement

The company is exempt from the requirement of FRS 1 (revised) to prepare a cash flow statement as it is a wholly-owned subsidiary undertaking of Pochin's Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

Turnover, which excludes value added tax, comprises the total estimated value of construction work executed during the year.

Contract turnover reflects the contract activity during the year and is measured based on the consideration receivable. When the outcome can be reliably assessed, contract turnover and associated costs are recognised as turnover and cost of sales respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by reference to work done, measured by qualified quantity surveyors.

Long-term contracts

In accordance with SSAP 9, turnover on long-term contracts is recognised according to the stage reached in the contract by reference to work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome can be assessed with reasonable certainty.

Where the outcome of a long-term contract cannot be estimated reliably, turnover is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

In the case of a fixed price contract, the outcome of a construction contract is deemed to be estimated reliably when all of the following conditions are satisfied:

- total contract revenue can be measured reliably;
- it is probable that economic benefits associated with the contract will flow to the company;
- both the contract costs to complete the contract and the stage of completion at the balance sheet date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the company, and the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

Amounts recoverable on contracts, being the excess of sales value of work executed over payments received on account, are included in debtors. The cost of long-term contracts not yet taken to the profit and loss account less foreseeable losses and payments on account are shown in stocks as long-term contract balances. Excess payments received are included in creditors.

Full provision is made for all foreseeable losses on contracts in the year in which the loss is first foreseen.

Principal accounting policies

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated to write down the cost, less estimated residual value of tangible fixed assets, in equal annual instalments over their estimated useful lives. The periods generally applicable are:

Computer and office equipment	-	3 - 5 years straight line
Plant and machinery	-	3 - 10 years straight line

Taxation

The current tax charge is based on the profit or loss for the financial period/year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

All investments are recorded at cost less any provision for impairment.

Leased assets

Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of ordinarily interchangeable items are assigned using the first in, first out formula.

Principal accounting policies

Hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company's and hire purchase contracts being capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

Contributions to pension fund

Defined benefit scheme

The company participates in a defined benefit scheme but is unable to identify its share of the underlying assets and liabilities. The pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period. Further information on the deficit in the scheme is given in note 5.

Defined contribution scheme

The company participates in a defined contribution scheme whereby contributions payable are charged to the profit and loss account in the period in which they become payable. The assets of the defined contribution scheme are held separately from those of the company.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Profit and loss account

	Note	9 months 2015 £	12 months 2014 £
Turnover	1	**58,209,643**	57,122,460
Cost of sales		**(54,648,772)**	(53,559,873)
Gross profit before exceptional items		**3,560,871**	3,562,587
Exceptional items	2	**(811,215)**	(7,982,234)
Gross profit/(loss)		**2,749,656**	(4,419,647)
Operating expenses	3	**(2,249,899)**	(3,218,374)
Other operating income		**80,250**	119,604
Profit/(loss) on ordinary activities before taxation	1	**580,007**	(7,518,417)
Tax on profit/(loss) on ordinary activities	6	**1,000**	428,204
Profit/(loss) for the financial period/year	17	**581,007**	(7,090,213)

There are no other recognised gains or losses other than those included above.

All of the company's principal activities are classed as continuing.

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial period/year stated above and their historical costs equivalents.

Balance sheet

	Note	2015	2014
		£	£
Fixed assets			
Tangible assets	7	**166,889**	176,571
Investments	8	**40,002**	40,002
		206,891	216,573
Current assets			
Inventories	9	**5,649,062**	4,865,223
Debtors: amounts falling due within one year	10	**23,793,050**	24,572,961
Debtors: amounts falling due after more than one year	11	**1,176,452**	717,433
Cash at bank and in hand		**9,453**	-
		30,628,017	30,155,617
Creditors: amounts falling due within one year	13	**(25,263,657)**	(25,381,946)
Net current assets		**5,364,360**	4,773,671
Total assets less current liabilities		**5,571,251**	4,990,244
Net assets		**5,571,251**	4,990,244
Capital and reserves			
Called up share capital	15	**6,553,500**	6,553,500
Share premium account	16	**80,425**	80,425
Other reserves	16	**20,000**	20,000
Profit and loss account	16	**(1,082,674)**	(1,663,681)
Total Shareholders' funds	17	**5,571,251**	4,990,244

The financial statements on pages 14 to 24 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

J C Pochin
Director
13 July 2015

The accompanying policies and notes form an integral part of these financial statements

Notes to the financial statements

1 Turnover and profit/(loss) on ordinary activities before taxation

Turnover and profit/(loss) on ordinary activities before taxation are attributable to the one principal activity of the company which is carried out in a single geographic market in the United Kingdom.

The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	9 months 2015 £	12 months 2014 £
Auditors' remuneration:		
- Audit services	**23,000**	29,876
- Non audit services - taxation	**-**	12,300
- Non audit services - other	**1,200**	828
Operating lease		
- Plant and machinery	**142,880**	209,520
Depreciation:		
- Owned assets	**14,925**	58,198
- Assets on hire purchase	**7,417**	8,260
Profit on disposal of fixed assets	**-**	(667)

2 Exceptional items

	9 months 2015 £	12 months 2014 £
Contract losses incurred in relation to construction contracts carried out in remote areas	**811,215**	7,982,234

The exceptional contract losses relate to a small number of contracts arising in the London and Edinburgh region where significant issues with procurement and delivery have resulted in contract losses of such significance that they warrant a separate presentation as exceptional items.

3 Operating expenses

	9 months 2015 £	12 months 2014 £
Distribution costs	**101,672**	121,748
Administration expenses	**2,148,227**	3,096,626
	2,249,899	3,218,374

Notes to the financial statements

4 Directors and employees

Staff costs during the period/year were as follows:

	9 months 2015 £	12 months 2014 £
Wages and salaries	**4,634,775**	5,809,533
Social security costs	**473,237**	587,637
Other pension costs (note 5)	**176,216**	227,324
	5,284,228	6,624,494

Monthly average number of persons employed by the company during the period/year:

	2015 Number	2014 Number
Operatives	**120**	119
Administration	**17**	11
	137	130

Remuneration in respect of directors was as follows:

	9 months 2015 £	12 months 2014 £
Emoluments	**244,781**	300,527
Value of company contributions to personal pension	**19,117**	25,033
Aggregate emoluments	**263,898**	325,560

During the period no directors (2014: no directors) participated in a defined benefit pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	9 months 2015 £	12 months 2014 £
Aggregate emoluments	**97,235**	118,249
Value of company contributions to personal pension	**7,650**	10,200
	104,885	128,449

The highest paid director's accrued pension at the period end was £37,000 (2014: £36,000).

Notes to the financial statements

5 Pension costs

The company participates in a defined benefit scheme and a defined contribution scheme operated on a group basis.

The defined contribution scheme was established on 1 July 2002 and is available to new members from that date. During the period contributions of £157,230 (2014: £189,677) were made to the scheme. There were no prepaid or outstanding contributions at 28 February 2015 or 31 May 2014.

The defined benefit scheme was closed to new members on 31 December 2001 and closed to future accruals on 31 December 2009. The assets of the plan are held separately from those of the company, being invested in an exempt unit fund through an investment manager. Contributions to the plan are determined by an independent qualified actuary and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group as a whole. Details of the latest actuarial valuation of the plan as at 30 June 2011, which have been adjusted and updated on an approximate basis to 28 February 2015, are disclosed in the financial statements of Pochin's Limited.

There is a multi-employer defined benefit scheme that is being accounted for as a defined contribution scheme in the company financial statements. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Details of the scheme and deficit are included within the financial statements of Pochin's Limited.

The pension charge for the defined benefit scheme for the period was £nil (2014: £nil).

During the period the company also made pension contributions to B&CE and private pension schemes totalling £18,896 (2014: £37,647).

Notes to the financial statements

6 Tax on profit/(loss) on ordinary activities

(a) Analysis of credit in the period/year

	2015	2014
	£	£
Current taxation		
Deferred tax (note 12)	**(1,000)**	(428,204)
	(1,000)	(428,204)

b) Factors affecting the tax credit in the period/year

The tax assessed for the period/year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21.00% (2014: 22.67%).

The differences are explained below:

	2015	2014
	£	£
Profit/(loss) on ordinary activities before taxation	**580,007**	(7,518,417)
Profit/(loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 21.00% (2014: 22.67%)	**121,801**	(1,704,425)
Effects of:		
Expenses not deductible for tax purposes	**12,658**	13,602
Current period/year losses not utilised	**-**	1,290,915
Losses brought forward utilised	**(132,345)**	-
Capital allowances for the year in excess of depreciation	**(2,114)**	(24,248)
Group relief	**-**	424,156
Current tax credit for the period/year	**-**	-

Notes to the financial statements

7 Tangible assets

	Computer and office equipment	Plant and machinery	Total
	£	£	£
Cost			
At 1 June 2014	1,238,878	2,000,791	3,239,669
Additions	-	12,660	12,660
At 28 February 2015	1,238,878	2,013,451	3,252,329
Depreciation			
At 1 June 2014	1,220,062	1,843,036	3,063,098
Provided in the period	7,208	15,134	22,342
At 28 February 2015	1,227,270	1,858,170	3,085,440
Net book value at 28 February 2015	**11,608**	**155,281**	**166,889**
Net book value at 31 May 2014	18,816	157,755	176,571

Included within plant and machinery are assets held under hire purchase contracts with a net book value of £83,943 (2014: £80,361). Depreciation charges on those assets during the period amounted to £7,417 (2014: £8,260).

8 Investments

	£
Shares at cost	
At 31 May 2014 and 28 February 2015	**40,002**

At 28 February 2015 the company held allotted ordinary share capital of the following subsidiaries that are incorporated in England and Wales:

Subsidiary undertakings	**Proportion**	**Nature of business**	**Net assets**
	%		£
Pochin (Wales) Limited	50	Dormant	2

The directors believe that the carrying value of the investments is supported by their underlying net assets.

9 Inventories

	2015	2014
	£	£
Long-term contract work in progress	**5,615,093**	4,830,788
Raw materials, consumables and finished products	**33,969**	34,435
	5,649,062	4,865,223

Notes to the financial statements

9 Inventories (continued)

The replacement cost of inventories is considered not to be materially different from the values included on the previous page.

10 Debtors: amounts falling due within one year

	2015	2014
	£	£
Amounts owed by group undertakings	**11,099,101**	16,245,103
Amounts recoverable under long-term contracts due within one year	**11,498,407**	7,436,632
Other debtors	**129,812**	139,422
VAT debtor	**497,179**	-
Prepayments and accrued income	**130,551**	314,804
Deferred tax asset (note 12)	**438,000**	437,000
	23,793,050	24,572,961

The amounts owed by group undertakings are unsecured, repayable on demand and do not bear interest.

11 Debtors: amounts falling due after more than one year

	2015	2014
	£	£
Amounts recoverable under long-term contracts due after more than one year	**1,176,452**	717,433

12 Deferred taxation

The deferred tax included in the balance sheet is as follows:

	2015	2014
	£	£
Included in debtors (note 10)	**438,000**	437,000

The movement in the deferred taxation account during the period/year was:

	2015	2014
	£	£
Balance brought forward	**437,000**	8,796
Movement in the period/year	**1,000**	428,204
Balance carried forward	**438,000**	437,000

Notes to the financial statements

12 Deferred taxation (continued)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2015	2014
	£	£
Tax losses	**437,000**	437,000

13 Creditors: amounts falling due within one year

	2015	2014
	£	£
Bank loans and overdrafts	-	4,728
Trade creditors	**11,094,518**	9,987,247
Other creditors	**31,197**	4,531
VAT creditor	-	293,061
Other taxation and social security	**26,561**	41,572
Amounts due under hire purchase agreements	**13,496**	25,904
Accruals and deferred income	**14,097,885**	15,024,903
	25,263,657	25,381,946

14 Commitments under hire purchase agreements

Future commitments under hire purchase agreements net of future charges are as follows:

	2015	2014
	£	£
Amounts payable within one year	**13,496**	25,904

Amounts due under hire purchase agreements are secured on the assets to which they relate.

15 Called up share capital

	2015	2014
	£	£
Allotted, called up and fully paid		
6,553,500 (2014: 6,553,500) ordinary shares of £1 each	**6,553,500**	6,553,500

Notes to the financial statements

16 Reserves

	Share Premium Account	Other reserves	Profit and loss account
	£	£	£
At 1 June 2014	80,425	20,000	(1,663,681)
Profit for the financial period/year	-	-	581,007
At 28 February 2015	**80,425**	**20,000**	**(1,082,674)**

17 Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
Profit/(loss) for the financial period/year	**581,007**	(7,090,213)
Issue of share capital	**-**	5,000,000
Opening shareholders' funds	**4,990,244**	7,080,457
Closing shareholders' funds	**5,571,251**	4,990,244

18 Capital commitments

The company had no capital commitments at 28 February 2015 or 31 May 2014.

19 Contingent liabilities

Across the group there is a composite cross guarantee arrangement in respect of group overdrafts and bank loans. At 28 February 2015 this amounted to £13,307,000 (2014: £21,330,000), which is recognised as debt and positive bank balances in the following companies:

Pochin's Limited £13,249,000 (2014: £21,318,000)
Pochin Residential Limited £nil (2014: £7,000)
Pochin Developments Limited £ 6,000 (2014: £nil)
Pochin Construction Limited £9,000 debit (2014: £5,000)
Pochin Investments Limited £ nil (2014: £nil)
Trinity Court Developments Limited £nil (2014: £nil)
Pochin Land & Development Limited £4,000 (2014: £4,000)
Pochin Gateway Commercial Limited £3,000 debit (2014: £1,000 debit)
Lincoln House Properties Limited £nil (2014: £1,000 debit)
UKLP (BrynCegin) Limited £1,000 debit (2014: £1,000 debit)
Hawarden Business Park Limited £61,000 (2014: £1,000 debit)

Notes to the financial statements

19 Contingent liabilities (continued)

The group investment overdraft facility is £10,000,000, (2014: £17,877,000), £9,318,750 (2014: £17,877,000) of which is drawn and included within the above amounts.

The group overdraft facility is £nil (2014: £2,000,000), £nil (2014: £851,000) of which is drawn and included within the above amounts.

The group revolving credit facility ("RCF") has replaced the multi-option loan facility ("MOF") and is £4,000,000 (2014: MOF = £2,000,000), £4,000,000 (2014: MOF = £2,000,000) of which is drawn.

20 Operating lease commitments

Annual minimum lease payments due under operating leases to which the company was committed were as follows:

	Land and buildings		Plant, machinery and vehicles	
	2015	2014	**2015**	2014
	£	£	**£**	£
Leases due to expire:				
Within one year	**13,736**	18,000	**34,122**	51,316
Within two to five years	**-**	31,396	**755,959**	764,304
	13,736	49,396	**790,081**	815,620

21 Related party transactions

As a wholly-owned subsidiary of Pochin's Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other wholly owned members of the group headed by Pochin's Limited.

There are no other related party transactions requiring disclosure.

22 Ultimate parent undertaking

The directors consider that the immediate parent undertaking of this company is Pochin's Limited, a company incorporated in England and Wales. The ultimate parent company is Middlewich Limited, a company incorporated in England and Wales. Kettley International Limited, a company incorporated in Jersey, is the company's ultimate controlling related party.

The largest group of undertakings for which group financial statements have been drawn up is that headed by Middlewich Limited, which is registered in England and Wales.

The consolidated financial statements of Pochin's Limited can be obtained from Brooks Lane, Middlewich, Cheshire, CW10 0JQ.