Phoenix Parker Holdings Limited

Annual report and consolidated financial statements

Registered number 06450198

31 December 2018

Contents

Directors and advisors

Directors:	G B Dalby G J Wheeler B L Dalby
Secretary:	G J Wheeler
Registered office:	Viaduct Works Canon Street Leicester LE4 6GH
Registered number:	06450198 (England and Wales)
Auditor:	KPMG LLP 1 Waterloo Way Leicester LE1 6LP

Strategic report

Review and principal activities

The principal activities of the group in the year under review were the design, manufacture, sale and installation of asphalt and concrete plants, crushing and screening plants, bitumen handling and conveyor systems.

Despite the strong start to the year the sales decreased by 4% compared with the previous year due to challenging trading conditions in the second half of 2018. The gross profit margin was lower than the previous year due to the product mix of sales. Total administrative expenses were 5% higher than the previous year resulting in an operating loss of £899,000 compared with an operating profit of £259,000 in 2017. During the year the group disposed of its investment in an associated undertaking at a profit of £283,000; this disposal, together with interest received and favourable exchange differences, resulted in a loss before taxation of £351,000 compared with a loss before taxation in the previous year of £767,000. The significant reduction in creditors during the year has been the primary contributor to the net cash outflow from operating activities. Further details of the group's cash flows are set out in the statement on page 11. During the year, the company bought back 12,250 shares from one of its shareholders and this purchase was funded by way of a bank loan. Details of the share purchase and bank loan are set out in notes 20 and 17 respectively.

Financial instruments

The group does not actively use financial instruments as part of its risk management. It is only exposed to the usual credit and cash flow risk associated with selling on credit in the UK since the vast majority of export sales are underpinned either by irrevocable letters of credit or substantial forward deposits and payments prior to despatch. In addition to the usual credit control procedures employed, the group maintains a credit insurance policy covering the majority of the outstanding non export debt.

Business KPI's

The directors use a number of performance indicators, both financial and non-financial, to evaluate the group's performance. However, gross margin, operating profit and cash generation are of particular importance in ensuring the successful management of the group, and these are commented upon above.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties include the prevailing economic conditions within the global construction industry as well as increased competition from low cost manufacturers. These risks are managed by ensuring that the group continues to expand into new markets and develops new products to enhance its offering.

Research and development

The group is committed to continued significant investment in research and development and the directors believe that it is this investment which enables the group to continue to generate strong gross margins. It is anticipated that research and development expenditure will continue during 2019.

Future developments

The group has had an encouraging start to 2019, and has secured asphalt plant orders in mainland Europe as well as Africa. In addition to the existing overseas order book, the group continues to generate strong sales in the domestic market.

The group has developed a significant portfolio of products for the quarrying, roadbuilding and construction industries. The strategy for the coming year will be to focus on the group's core products and those which generate higher gross margins. The group is also committed to continued tight control of overhead expenditure, and although it is anticipated that 2019 will be a challenging year, the directors are confident that the group will improve its trading result in the coming year.

During 2018 the group was able to reduce its inventory levels. The Directors are committed to a continuing reduction of inventory throughout 2019 to ensure that the group's cash position is strengthened by the end of the year.

On behalf of the board:

G J Wheeler
Secretary

5th December 2019

Directors' report

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2018.

Dividends

During the year, the directors declared interim dividends of £510,000 *(2017: £300,000)*; no final dividend is proposed.

Directors

The directors shown below have held office during the period and to the date of this report:

G B Dalby
G J Wheeler
B L Dalby

The group has arranged insurance in respect of any liabilities of the directors or officers of the group arising from their duties in that role.

Political and charitable contributions

Charitable donations during the year amounted to £11,000 *(2017: £13,000)*.

Statement as to disclosure of information to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board:

G J Wheeler
Secretary

5th December 2019

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of the profit or loss of the company for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Phoenix Parker Holdings Limited

Opinion

We have audited the financial statements of Phoenix Parker Holdings Limited ("the company") for the year ended 31 December 2018 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated changes in equity, company changes in equity, consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of stocks and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

KPMG

Independent auditor's report to the members of Phoenix Parker Holdings Limited
(continued)

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Ian Borley *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Waterloo Way
Leicester
LE1 6LP

Dated: 6 December 2019

Consolidated profit and loss account

for year ended 31 December

	Note	2018 £000	2017 £000
Turnover	*2*	**22,097**	23,062
Cost of sales		**(16,135)**	(16,275)
Gross profit		**5,962**	6,787
Administrative expenses		**(6,861)**	(6,528)
Group operating (loss)/profit		**(899)**	259
Group's share of loss in associates		**-**	(830)
Profit on disposal of investments	*11*	**283**	-
Other interest receivable and similar income	*6*	**255**	136
Income from fixed asset investments		**10**	-
Interest payable and similar expenses	*7*	**-**	(332)
Loss before taxation		**(351)**	(767)
Tax credit/(charge) on loss	*8*	**45**	(20)
Loss for the financial year		**(306)**	(787)

There were no items of other comprehensive income or expenditure in either the current or previous year.

Consolidated balance sheet
at 31 December

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	*9*		**147**		189
Tangible assets	*10*		**6,970**		7,730
Investments	*11*		**503**		960
			7,620		8,879
Current assets					
Stocks	*12*	**11,299**		12,636	
Debtors (including £192,000 *(2017: £508,000)* due after more than one year)	*13*	**10,834**		8,499	
Cash at bank and in hand	*14*	**332**		5,968	
		22,465		27,103	
Creditors: amounts falling due within one year	*15*	**(7,056)**		(11,987)	
Net current assets			**15,409**		15,116
Total assets less current liabilities			**23,029**		23,995
Creditors: amounts falling due after more than one year	*16*		**(3,800)**		-
Provisions for liabilities					
Deferred tax liability	*18*	**(30)**		(93)	
Other provisions	*19*	**(116)**		(113)	
			(146)		(206)
Net assets			**19,083**		23,789
Capital and reserves					
Called up share capital	*20*		**38**		50
Capital redemption reserve	*20*		**12**		-
Profit and loss account			**19,033**		23,739
Shareholders' funds			**19,083**		23,789

These financial statements were approved by the board of directors on 5th December 2019 and were signed on its behalf by:

GB Dalby
Director

Company registered number: 06450198

Company balance sheet
at 31 December

	Note	**2018**		2017	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*11*		**15,617**		2,613
Current assets					
Debtors (including £nil *(2017: £175,000)* due after more than one year	*13*	**4,220**		3,779	
Cash at bank and in hand	*14*	**218**		244	
		4,438		4,023	
Creditors: amounts falling due within one year	*15*	**(336)**		(80)	
Net current assets			**4,102**		3,943
Total assets less current liabilities			**19,719**		6,556
Creditors: amounts falling due after more than one year	*16*		**(3,800)**		-
Net assets			**15,919**		6,556
Capital and reserves					
Called up share capital	*20*		**38**		50
Capital redemption reserve	*20*		**12**		-
Profit and loss account			**15,869**		6,506
Shareholders' funds			**15,919**		6,556

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year was £13,763,000 *(2017: £1,098,000).*

These financial statements were approved by the board of directors on 5th December 2019 and were signed on its behalf by:

GB Dalby
Director

Company registered number: 06450198

Consolidated statement of changes in equity

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	50	-	24,826	24,876
Loss for the year	-	-	(787)	(787)
Dividends	-	-	(300)	(300)
Balance at 31 December 2017	**50**	**-**	**23,739**	**23,789**
Balance at 1 January 2018	50	-	23,739	23,789
Loss for the year	-	-	(306)	(306)
Dividends	-	-	(510)	(510)
Buy back of own shares	(12)	-	(3,878)	(3,890)
Transfer to Capital redemption reserve	-	12	(12)	-
Balance at 31 December 2018	**38**	**12**	**19,033**	**19,083**

Company statement of changes in equity

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	50	-	5,708	5,758
Profit for the year	-	-	1,098	1,098
Dividends	-	-	(300)	(300)
Balance at 31 December 2017	**50**	**-**	**6,506**	**6,556**
Balance at 1 January 2018	50	-	6,506	6,556
Profit for the year	-	-	13,763	13,763
Dividends	-	-	(510)	(510)
Buy back of own shares	(12)	-	(3,878)	(3,890)
Transfer to Capital redemption reserve	-	12	(12)	-
Balance at 31 December 2018	**38**	**12**	**15,869**	**15,919**

Consolidated cash flow statement
for year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Loss for the year		**(306)**	(787)
Adjustments for:			
Depreciation, amortisation and impairment		**867**	893
Foreign exchange losses/(gains)		**78**	(200)
Interest payable and similar expenses		**-**	332
Other interest receivable and similar income		**(255)**	(136)
Income from fixed asset investments		**(10)**	-
Profit on disposal of investments		**(283)**	-
Group's share of loss in associates		**-**	830
Taxation		**(45)**	20
		46	952
Decrease/(increase) in trade and other debtors	*13*	**299**	(3,842)
Decrease/(increase) in stocks	*12*	**1,337**	(1,668)
(Decrease)/increase in trade and other creditors	*15*	**(5,059)**	6,906
Increase in provisions and employee benefits	*19*	**3**	9
		(3,374)	2,357
Tax paid		**(90)**	-
Net cash from operating activities		**(3,464)**	2,357
Cash flows from investing activities			
Proceeds from sale of investment		**740**	-
Loan repaid by related company		**1,956**	3,619
Loan made to related company		**(4,534)**	(2,075)
Bank borrowings		**4,000**	-
Interest received	*6*	**121**	136
Income from fixed asset investments		**10**	-
Acquisition of tangible fixed assets	*10*	**(65)**	(816)
Net cash from investing activities		**2,228**	864
Cash flows from financing activities			
Purchase of own shares		**(3,890)**	-
Dividends paid		**(510)**	(300)
Net cash from financing activities		**(4,400)**	(300)
Net decrease in cash and cash equivalents		**(5,636)**	2,921
Cash and cash equivalents at 1 January	*14*	**5,968**	3,047
Cash and cash equivalents at 31 December		**332**	5,968

Notes
(forming part of the financial statements)

1 Accounting policies

Phoenix Parker Holdings Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England. The registered number is 06450198 and the registered address is Viaduct Works, Canon Street, Leicester, LE4 6GH.

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The directors have reviewed the profit and cash forecasts for a period of at least twelve months from the date of the approval of these financial statements and have a reasonable expectation that the Group has adequate resources to continue in operation for this period. Hence, the Group continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exist when the investors holds between 20% and 50% of the equity voting rights. The Company employee benefit trust is consolidated into the Group balance sheet.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and associates are carried at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4. Foreign currency

Transactions in foreign currencies are translated to the group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5. Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method less any impairment losses.

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The group assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Freehold property	- 4% on cost
Plant, machinery and fixtures	- 10% - 20% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33% on cost

No depreciation is provided on freehold land.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the group expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7. Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. Amortisation is provided at the following annual rates:

Goodwill	- 10% on cost
Intellectual property	- 10% - 20% on cost

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.8. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9. Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Impairment excluding stocks (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.10. Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11. Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.12. Turnover

Turnover represents net invoiced sales of goods, excluding value added tax and trade discounts. Revenue is recognised when risks and rewards are transferred to the customer, which is usually at the point of despatch in line with the terms of sale.

1.13. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14. Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2018	2017
	£000	£000
Home sales	**10,893**	13,196
Export sales	**11,204**	9,866
	22,097	23,062

3 Auditor's remuneration

	2018	2017
	£000	£000
Audit of these financial statements	**7**	2
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**42**	39
Taxation compliance services	**11**	12
Other tax advisory services	**15**	15

Notes *(continued)*

4 Staff numbers and costs

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

	2018 Number	2017 Number
Production	**111**	116
Management and administration	**26**	21
Sales	**24**	22
	161	159

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**5,196**	5,174
Social security costs	**522**	589
Contributions to defined contribution plans	**266**	288
	5,984	6,051

5 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	**415**	415
Company contributions to money purchase pension plans	-	-

The aggregate of remuneration of the highest paid director was £193,000 *(2017: £193,000)*, and company pension contributions of £nil *(2017: £nil)* were made to a money purchase scheme on his behalf.

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	-

6 Other interest receivable and similar income

	2018 £000	2017 £000
Interest receivable on loan to related company	**118**	136
Bank interest receivable	**3**	-
Net foreign exchange gains	**134**	-
	255	136

Notes *(continued)*

7 Interest payable and similar expenses

	2018 £000	2017 £000
Net foreign exchange losses	-	332

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2018 £000	2017 £000	2017 £000
Current tax				
Current tax on income for the period		12		84
Adjustments in respect of prior periods		6		(30)
Total current tax		18		54
Deferred tax (see note 16)				
Origination and reversal of timing differences	(63)		(16)	
Adjustments in respect of prior periods	-		(18)	
Total deferred tax		(63)		(34)
Total tax (credit)/charge		(45)		20

Reconciliation of effective tax rate

	2018 £000	2017 £000
Loss before taxation	(351)	(767)
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	(67)	(148)
Notional taxation on losses of associated undertaking	-	160
Non-deductible expenses	50	57
Amortisation of goodwill	-	21
Research and development credit	-	(37)
Income not taxable	(53)	-
Movement in unprovided deferred tax	14	13
Difference in tax rate on timing differences arising during the year	5	2
Under/(over) provided in prior years	6	(48)
Total tax (credit)/charge included in profit or loss	(45)	20

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future tax charge accordingly.

Notes *(continued)*

9 Intangible assets and goodwill

Group	Goodwill £000	Intellectual property £000	Total £000
Cost			
Balance at 1 January 2018 and 31 December 2018	1,423	1,287	2,710
Amortisation			
Balance at 1 January 2018	1,423	1,098	2,521
Amortisation for the year	-	42	42
Balance at 31 December 2018	1,423	1,140	2,563
Net book value			
At 31 December 2018	**-**	**147**	**147**
At 31 December 2017	-	189	189

Amortisation charged in the year of £42,000 (*2017: £128,000*) is included in administrative expenses in the profit and loss account.

10 Tangible fixed assets

Group	Freehold property £000	Plant, machinery and fixtures £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost					
Balance at 1 January 2018	7,144	4,151	278	545	12,118
Additions	-	36	11	18	65
Balance at 31 December 2018	7,144	4,187	289	563	12,183
Depreciation					
Balance at 1 January 2018	1,351	2,348	196	493	4,388
Depreciation charge for the year	193	551	42	39	825
Balance at 31 December 2018	1,544	2,899	238	532	5,213
Net book value					
At 31 December 2018	**5,600**	**1,288**	**51**	**31**	**6,970**
At 31 December 2017	5,793	1,803	82	52	7,730

Included in freehold property is £2,316,851 *(2017: £2,316,851)* in respect of land on which no depreciation is provided.

Notes *(continued)*

11 Fixed asset investments

Fixed asset investments – Group

	Interests in associated undertakings £000	Unlisted investments £000	Total £000
Cost and net book value			
At 1 January 2018	457	503	960
Disposal of investment	(457)	-	(457)
At 31 December 2018	**-**	**503**	**503**

On 12 March 2018 the group completed the disposal of its 40% shareholding in Maximus Crushing & Screening Limited. The consideration received, net of disposal costs, amounted to £740,575 and the profit on disposal in the group and the company amounted to £283,347 and £602,575 respectively.

Fixed asset investments – Company

	Shares in group undertakings £000	Participating interests £000	Other investments other than loans £000	Total £000
Cost				
At 1 January 2018	2,081	138	503	2,722
Additions	13,192	-	-	13,192
Disposals	-	(138)	-	(138)
At 31 December 2018	15,273	-	503	15,776
Provision for diminution in value				
At 1 January 2018	109	-	-	109
Provisions made	50	-	-	50
At 31 December 2018	159	-	-	159
Net book value				
At 31 December 2018	**15,114**	**-**	**503**	**15,617**
At 31 December 2017	1,972	138	503	2,613

On 3 July 2018 the company passed a written resolution authorising the directors of Parker Plant Limited to allot shares in that company and on that date the directors of Parker Plant Limited allotted 13,191,495 ordinary shares of £1 each in the that company.

Also on 3 July 2018 Phoenix Parker Holdings Limited and Parker Plant Limited entered into an agreement under which Phoenix Parker Holdings Limited agreed to apply the amount of £13,191,495 receivable from Parker Plant Limited in paying the full amount due on the allotment and issue of shares by Parker Plant Limited.

Notes *(continued)*

11 Fixed asset investments *(continued)*

Fixed asset investments – Company

The undertakings in which the Group's and Company's had an interest at the year end are as follows:

Subsidiaries

Name	Nature of business	Class of shares held	% holding
Phoenix Transworld Limited	Asphalt machinery	Ordinary	100
Cartem Limited	Dormant	Ordinary	100 *
Phoenix Steel Fabrications Limited	Dormant	Ordinary	100 *
Parker Recycling Limited	Dormant	Ordinary	100
Parker Plant Limited	Quarrying and asphalt machinery	Ordinary	100
Asphalt Plant Sales Limited	Dormant	Ordinary	100
Titan Trommels Limited	Dormant	Ordinary	100
Phoenix Parker Investments Ltd	Property	Ordinary	100
Parker Plant International Limited	Dormant	Ordinary	100
Universal Conveyor Co. Limited	Dormant	Ordinary	100
Parker Mining Limited	Dormant	Ordinary	100
Crushing Spares Limited	Dormant	Ordinary	100
Crushing Plant Sales Limited	Dormant	Ordinary	100
Crushing Spares International Limited	Dormant	Ordinary	100
Road Rentals Limited	Dormant	Ordinary	100
Phoenix Parker Limited	Intermediate holding company	Ordinary	100
Parker Crushing And Screening Limited	Dormant	Ordinary	100 **

* indicates subsidiary of Parker Plant Limited

** indicates subsidiary of Phoenix Parker Limited

All of the above subsidiaries are included within the consolidation and apart from Phoenix Parker Limited and Parker Crushing and Screening Limited (whose registered office address is Marlborough House, 30 Victoria Street, Belfast, BT1 3GG) the registered office address of all of them is Viaduct Works, Canon Street, Leicester, LE4 6GH.

12 Stocks

	Group	
	2018	2017
	£000	£000
Raw materials and consumables	**2,736**	2,790
Work in progress	**7,974**	7,972
Finished goods	**589**	1,874
	11,299	12,636

Raw materials, consumables and changes in finished goods and work in progress recognised in cost of sales in the year amounted to £12,640,000 *(2017: £12,189,000)*.

Notes *(continued)*

13 Debtors

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Trade debtors	**3,741**	4,423	**-**	-
Amounts owed by group undertakings	**-**	-	**4,041**	3,350
Amounts owed by group undertakings in which the entity has a participating interest	**-**	382	**-**	250
Other debtors	**403**	494	**175**	175
Amounts owed by related companies	**6,127**	2,863	**-**	-
Prepayments and accrued income	**563**	337	**4**	4
	10,834	8,499	**4,220**	3,779
Due within one year	**10,642**	7,991	**4,220**	3,604
Due after more than one year	**192**	508	**-**	175
	10,834	8,499	**4,220**	3,779

14 Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Bank accounts – General	**170**	5,916	**60**	196
Bank accounts – Employee remuneration trust	**49**	48	**49**	48
Legal advisor's client account	**109**	-	**109**	-
Cash in hand	**4**	4	**-**	-
	332	5,968	**218**	244

15 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Bank borrowings	**200**	-	**200**	-
Trade creditors	**2,499**	4,250	**14**	8
Amounts owed to group undertakings	**-**	-	**50**	50
Amounts owed to undertakings in which the entity has a participating interest	**-**	29	**-**	-
Corporation tax	**12**	84	**-**	-
Other taxation and social security	**161**	243	**4**	6
Other creditors	**1,720**	1,187	**-**	-
Accruals and deferred income	**2,464**	6,194	**68**	16
	7,056	11,987	**336**	80

Notes *(continued)*

16 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Bank borrowings	**3,800**	-	**3,800**	-

17 Interest bearing loans and borrowings

This note contains information about the contractual terms of the group's interest bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Creditors: amounts falling due within one year:				
Bank borrowings	**200**	-	**200**	-

	Group		Company	
	2018	2017	**2018**	2017
Creditors: amounts falling due after more than one year:	**£000**	£000	**£000**	£000
Bank borrowings	**3,800**	-	**3,800**	-

The bank borrowing comprises a term loan amounting to £4,000,000.

The term loan is repayable in monthly instalments of £16,666 and interest is charged at 2.5% over the Bank of England base rate.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	-	-	**72**	133	**72**	133
Tax losses	**(18)**	(18)	-	-	**(18)**	(18)
Other timing differences	**(24)**	(22)	-	-	**(24)**	(22)
Net tax (assets) / liabilities	**(42)**	(40)	**72**	133	**30**	93

Potential deferred tax assets arise in respect of timing differences on capital allowances in one of the Company's subsidiary undertakings. No provision for deferred tax assets has been made in these financial statements in respect of this timing difference as the directors consider that the differences are unlikely to reverse in the near future. The unprovided deferred tax asset is £55,000 *(2017: £42,000).*

Notes *(continued)*

19 Provisions

Group	Warranty provision £000
Balance at 1 January 2018	113
Provisions made during the year	101
Provisions used during the year	(59)
Provisions reversed during the year	(39)
Balance at 31 December 2018	**116**

The Group gives a warranty on its products for a period of 12 months or 2,000 hours of operation, whichever occurs first, from the date of delivery.

A warranty provision is made at the time of sale, based upon the Group's historical experience of actual warranty costs of the life of the warranty. Actual costs incurred during the life of the warranty are charged against the provision and unutilised warranty provisions are released at the expiry of the warranty period.

20 Capital and reserves

Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
37,750 *(2017: 50,000)* ordinary shares of £1 each	**38**	50

On 20 December 2018 the company entered into a share buyback agreement with one of its shareholders to purchase 12,250 ordinary shares of £1 each at a price of £316 per share. The shares were subsequently cancelled and as a result £12,250 has been transferred from the profit & loss account into a capital redemption reserve.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Less than one year	-	-	**9**	9
Between one and five years	-	-	**18**	27
	-	-	**27**	36

During the year £9,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £9,000).*

Notes *(continued)*

22 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018	2017
	£000	£000
Assets measured at amortised cost	10,200	13,636
Liabilities measured at amortised cost	(6,499)	(4,279)

23 Related parties

Identity of relates parties with which the Group has transacted

In accordance with the accounting policy of the Company, transactions with the employee remuneration trust have been included in these financial statements. Dividends of £10,000 *(2017: £nil)* have been paid by the Company to the trust. Interest received from third parties of £32 *(2017: £nil)* and administration costs of £9,294 *(2017: £8,634)* have also been included.

During the year the group made purchases of £8,949 *(2017: £14,067)* from Maximus Crushing & Screening Limited, an associated company. The balance outstanding at the year end was £nil *(2017: £31,473)* – in the accounts this consists of an accrual of nil *(2017: £2,119)*, exclusive of VAT, and a creditor balance of £nil *(2017: £28,930)*, inclusive of VAT.

During the year the group sold goods amounting to £nil *(2017: £107,199)* to Maximus Crushing and Screening Limited. The balance outstanding at the year end was £nil *(2017: £132,285)*.

During the year the group made recharges of £399,642 *(2017: £363,326)* and sold goods amounting to £1,374,350 (*2017: £1,935,152*) to CMI Roadbuilding Limited, a company controlled by Mr GB Dalby. The balance outstanding at the year end was £2,294,642 *(2017: £1,665,320)*.

During the year the group purchased goods amounting to £48,953 (*2017: £33,024*) from and was recharged £11,500 *(2017: £nil)* CMI Roadbuilding Limited. The balance outstanding at the year end was £nil (*2017: £nil*).

During the year the group purchased goods amounting to £nil (*2017: £10,880*) from CMI Concrete Machinery Limited, a company in which Mr GB Dalby has a substantial shareholding. The balance outstanding at the year end was £nil (*2017: £nil*).

During the year the group made recharges of £nil *(2017: £4,633)* sold goods amounting to £227,131 *(2017: £382,427)* to CMI Concrete Machinery Limited. The balance outstanding at the year end was £nil *(2017: £nil)*.

At the year end, the group had two outstanding loans (one denominated in US dollars and one denominated in Sterling) due from CMI Roadbuilding Limited. The loans are repayable on demand and interest is charged on the loan at a rate of 4.5% over the Bank of England base rate. The balance outstanding on the US dollar loan at the year end was £2,782,088, or US$3,550,000 *(2017: £148,116, or US$200,000)*. The balance outstanding on the Sterling loan at the year end was £1,050,000 *(2017: £1,050,000)*.

Key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £771,000 *(2017: £859,000)*.

24 Controlling party

The ultimate controlling party is Mr GB Dalby by virtue of his interest in the share capital of the company.

Notes *(continued)*

25 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Stock provision: Management consider the recoverability of raw material stock at the year end by looking at the ageing analysis and, based on this, provide in line with the stock provisioning policy adopted by the Group. Provisions against other stocks are assessed by reference to historic sales of similar products and by recent quotations provided to potential customers. The age and condition of inventory items is also taken into account to ensure that the group adopts a balanced approach to the valuation of inventory.

26 Contingent liabilities

During the year a subsidiary of the Group, Parker Plant Limited, received notice of a claim for compensation from a customer for costs incurred due to alleged delays in the supply and installation of a concrete plant.

The Group has issued a counterclaim requiring the payment of the outstanding amount of £252,000 (inclusive of Value Added Tax) due under the terms of the contract.

No provision has been made in these accounts in respect of the customer's claim (which amounts to approximately £550,000) as the view of the directors is that the claim is without merit and the Group intends to vigorously defend it.