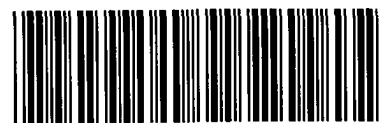


COMPANY REGISTRATION NUMBER: 07938743

Churchill Contractors (UK) Limited
Financial Statements
31 December 2018

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Churchill Contractors (UK) Limited

Financial Statements

Year ended 31 December 2018

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Churchill Contractors (UK) Limited

Officers and Professional Advisers

The board of directors

Mr L Brown
Mr S Lockyer
Mr G M Hewitt

Registered office

Unit 41 Martland Industrial Estate
Smart Heath Lane
Woking
Surrey
UK
GU22 0RQ

Auditor

Shipleys LLP
Chartered accountants & statutory auditor
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

Churchill Contractors (UK) Limited

Strategic Report

Year ended 31 December 2018

Review of the business

The principal activity of the company is that of bricklayers and scaffolders for the new house building industry. The company had another successful year and the results for the year are set out on page 10 to the financial statements. Subcontractor rates hardened in 2018 with the buoyant house building market which caused a reduction in Gross Profit margin. With the slowdown in 2019, rates have decreased and margin has improved.

Future developments

The company plans to continue to generate new business and to continue to maintain turnover and increase profitability but is wary about the effect of a no deal Brexit on business and consumer confidence.

Principal risks and uncertainties including financial risks

The directors are aware of the inherent risks in the construction industry and constantly monitor the market to identify and manage any potential impacts on current and future trading.

Going concern

Having made appropriate enquiries, the directors have a reasonable expectation that the company has sufficient resources to support both its current business activities and the growth of the business into the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Liquidity risks

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable business needs and to invest cash assets safely and, where applicable, profitably. The company finances its operations primarily from retained profits and loan finance.

Credit / commercial risks

The directors recognise the importance of risk management and have instigated procedures to ensure that credit and other financial checks of clients and prospective clients are undertaken as appropriate.

The company's principal financial assets are amounts recoverable on contracts and cash at bank. The risks associated with the former are mitigated by regular application for, and certification of, works completed under contractual agreements; cash resources are held in bank accounts with prime UK banks.

Health, Safety and Environmental Management

The company's Health, Safety and Environmental Management Policy is dedicated to ensuring the prevention of work related injuries or illnesses to our employees and other persons that may arise in connection with our work activities, whilst ensuring that environmental objectives are also achieved. The company's record is very good.

Churchill Contractors (UK) Limited

Strategic Report *(continued)*

Year ended 31 December 2018

This report was approved by the board of directors on 25/9/19 and signed on behalf of the board by:



Mr S Lockyer
Director

Registered office:
Unit 41 Martland Industrial Estate
Smart Heath Lane
Woking
Surrey
UK
GU22 0RQ

Churchill Contractors (UK) Limited

Directors' Report

Year ended 31 December 2018

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

Directors

The directors who served the company during the year were as follows:

Mr L Brown
Mr S Lockyer
Mr G M Hewitt

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Disclosure of information in the strategic report

A strategic report has been prepared for Churchill Contractors (UK) Limited which includes information regarding the future developments, principal risks and uncertainties and other information which would have been included in the business review.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Churchill Contractors (UK) Limited

Directors' Report *(continued)*

Year ended 31 December 2018

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 25/9/19 and signed on behalf of the board by:



Mr S Lockyer
Director

Registered office:
Unit 41 Martland Industrial Estate
Smart Heath Lane
Woking
Surrey
UK
GU22 0RQ

Churchill Contractors (UK) Limited

Independent Auditor's Report to the Members of Churchill Contractors (UK) Limited

Year ended 31 December 2018

Opinion

We have audited the financial statements of Churchill Contractors (UK) Limited (the 'company') for the year ended 31 December 2018 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Churchill Contractors (UK) Limited

Independent Auditor's Report to the Members of Churchill Contractors (UK) Limited (continued)

Year ended 31 December 2018

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Churchill Contractors (UK) Limited

Independent Auditor's Report to the Members of Churchill Contractors (UK) Limited *(continued)*

Year ended 31 December 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Churchill Contractors (UK) Limited

Independent Auditor's Report to the Members of Churchill Contractors (UK) Limited *(continued)*

Year ended 31 December 2018

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Foster (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered accountants & statutory auditor
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

26/9/2019

Churchill Contractors (UK) Limited

Income Statement

Year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	31,140,297	26,942,259
Cost of sales		(25,522,675)	(20,963,071)
Gross profit		<u>5,617,622</u>	<u>5,979,188</u>
Administrative expenses		(2,385,923)	(1,870,958)
Operating profit	5	3,231,699	4,108,230
Other interest receivable and similar income	9	88,039	—
Interest payable and similar expenses	10	(206,212)	(131,964)
Profit before taxation		<u>3,113,526</u>	<u>3,976,266</u>
Tax on profit	11	(517,623)	(791,655)
Profit for the financial year		<u><u>2,595,903</u></u>	<u><u>3,184,611</u></u>

All the activities of the company are from continuing operations.

The notes on pages 15 to 26 form part of these financial statements.

Churchill Contractors (UK) Limited

Statement of Comprehensive Income

Year ended 31 December 2018

	2018	2017
	£	£
Profit for the financial year	2,595,903	3,184,611
Revaluation of tangible assets	419,218	660,254
Tax relating to components of other comprehensive income	(127,027)	(53,203)
Other comprehensive income for the year	292,191	607,051
Total comprehensive income for the year	2,888,094	3,791,662

The notes on pages 15 to 26 form part of these financial statements.

Churchill Contractors (UK) Limited

Statement of Financial Position

31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	13	6,977,051	5,344,034
Current assets			
Stocks	14	1,143,117	1,947,756
Debtors	15	13,536,389	10,947,105
Cash at bank and in hand		1,580,013	1,517,171
		<u>16,259,519</u>	<u>14,412,032</u>
Creditors: amounts falling due within one year	16	(6,408,463)	(5,733,328)
Net current assets		<u>9,851,056</u>	<u>8,678,704</u>
Total assets less current liabilities		<u>16,828,107</u>	<u>14,022,738</u>
Creditors: amounts falling due after more than one year	17	—	(19,529)
Provisions	19	(460,562)	(356,696)
Net assets		<u>16,367,545</u>	<u>13,646,513</u>
Capital and reserves			
Called up share capital	23	100	100
Revaluation reserve	24	1,036,577	843,212
Profit and loss account	24	15,330,868	12,803,201
Shareholders funds		<u>16,367,545</u>	<u>13,646,513</u>

These financial statements were approved by the board of directors and authorised for issue on 25/9/19, and are signed on behalf of the board by:



Mr S Lockyer
Director

Company registration number: 07938743

The notes on pages 15 to 26 form part of these financial statements.

Churchill Contractors (UK) Limited

Statement of Changes in Equity

Year ended 31 December 2018

	Note	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2017 (as previously reported)		100	–	9,726,680	9,726,780
Prior period adjustments		–	268,961	(140,890)	128,071
At 1 January 2017 (restated)		<u>100</u>	<u>268,961</u>	<u>9,585,790</u>	<u>9,854,851</u>
Profit for the year				3,184,611	3,184,611
Other comprehensive income for the year:					
Revaluation of tangible assets	13	–	660,254	–	660,254
Reclassification from revaluation reserve to profit and loss account		–	(32,800)	32,800	–
Tax relating to components of other comprehensive income	11	–	(53,203)	–	(53,203)
Total comprehensive income for the year		<u>–</u>	<u>574,251</u>	<u>3,217,411</u>	<u>3,791,662</u>
At 31 December 2017		100	843,212	12,803,201	13,646,513
Profit for the year				2,595,903	2,595,903
Other comprehensive income for the year:					
Revaluation of tangible assets	13	–	419,218	–	419,218
Reclassification from revaluation reserve to profit and loss account		–	(98,826)	98,826	–
Tax relating to components of other comprehensive income	11	–	(127,027)	–	(127,027)
Total comprehensive income for the year		<u>–</u>	<u>193,365</u>	<u>2,694,729</u>	<u>2,888,094</u>
Dividends paid and payable	12	–	–	(167,062)	(167,062)
Total investments by and distributions to owners		<u>–</u>	<u>–</u>	<u>(167,062)</u>	<u>(167,062)</u>
At 31 December 2018		<u>100</u>	<u>1,036,577</u>	<u>15,330,868</u>	<u>16,367,545</u>

The notes on pages 15 to 26 form part of these financial statements.

Churchill Contractors (UK) Limited

Statement of Cash Flows

Year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	2,595,903	3,184,611
<i>Adjustments for:</i>		
Depreciation of tangible assets	573,378	471,181
Fair value adjustment of investment property	(221,619)	153,049
Other interest receivable and similar income	(88,039)	–
Interest payable and similar expenses	206,212	131,964
Tax on profit	517,623	791,655
Accrued expenses/(income)	1,451,431	(982,891)
Transfer of stock to fixed assets	(1,124,184)	–
<i>Changes in:</i>		
Stocks	804,639	(587,388)
Trade and other debtors	(3,759,765)	(3,220,333)
Trade and other creditors	604,092	1,233,203
Cash generated from operations	1,559,671	1,175,051
Interest paid	(206,212)	(131,964)
Interest received	88,039	–
Tax paid	(709,206)	(2,104,546)
Net cash from/(used in) operating activities	<u>732,292</u>	<u>(1,061,459)</u>
Cash flows from investing activities		
Purchase of tangible assets	<u>(441,374)</u>	<u>(1,872,058)</u>
Net cash used in investing activities	<u>(441,374)</u>	<u>(1,872,058)</u>
Cash flows from financing activities		
Proceeds from borrowings	(36,290)	1,328,979
Payments of finance lease liabilities	(24,724)	(43,426)
Dividends paid	(167,062)	–
Net cash (used in)/from financing activities	<u>(228,076)</u>	<u>1,285,553</u>
Net increase/(decrease) in cash and cash equivalents	62,842	(1,647,964)
Cash and cash equivalents at beginning of year	<u>1,517,171</u>	<u>3,165,135</u>
Cash and cash equivalents at end of year	<u>1,580,013</u>	<u>1,517,171</u>

The notes on pages 15 to 26 form part of these financial statements.

Churchill Contractors (UK) Limited

Notes to the Financial Statements

Year ended 31 December 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office and principal place of business is Unit 41 Martland Industrial Estate, Smart Heath Lane, Woking, Surrey, GU22 0RQ, UK.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss as set out in the accounting policies below.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Significant judgements

Revenue recognition and accrued income

Revenue includes work carried out which has been certified or not yet certified or invoiced. This involves the use of judgement by management as to the value of work done.

Key sources of estimation uncertainty

Impairment of assets

Non-current assets including investment property, plant and equipment, fixtures and fittings and motor vehicles are reviewed for impairment if event or changes in circumstances indicate that the carrying amount may not be recoverable.

Allowances for doubtful debts

The company maintains allowances for doubtful accounts which may change depending on the ability of customers to make payment.

Revenue recognition

On a contract by contract basis, turnover represents the value of work done in the year, recognised by reference to the overall stage of completion. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets, with the exception of investment properties and scaffolding within plant and machinery, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 10% straight line
Motor vehicles	- 25% straight line
Equipment	- 25% straight line

An amount equal to the excess of the annual depreciation charge on revalued assets over the original cost depreciation charge on those assets is transferred annually from the revaluation reserve to retained earnings.

Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Development expenditure

Research expenditure is written off in the period in which it is incurred. Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

It is technically feasible to complete the intangible asset so that it will be available for use or sale; There is the intention to complete the intangible asset and use or sell it; There is the ability to use or sell the intangible asset; The use or sale of the intangible asset will generate probable future economic benefits; There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and The expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure that does not meet the above criteria is expensed as incurred.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Trade and other debtors

Trade and other debtors are initially recognised at the transaction price and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment for bad and doubtful debts.

Trade and other creditors

Trade and other creditors are initially recognised at the transaction price and are thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Finance leases and hire purchase contracts

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Construction contracts	31,087,965	26,922,809
Rental income	52,332	19,450
	<u>31,140,297</u>	<u>26,942,259</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2018	2017
	£	£
Depreciation of tangible assets	573,378	471,181
Fair value adjustments to investment property	<u>(221,619)</u>	<u>153,049</u>

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	<u>22,000</u>	<u>20,000</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	2,900	2,200
Other non-audit services	<u>52,357</u>	<u>57,052</u>
	<u>55,257</u>	<u>59,252</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2018	2017
	No.	No.
Administrative staff	<u>16</u>	<u>11</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018	2017
	£	£
Wages and salaries	716,519	603,830
Social security costs	67,039	41,634
Other pension costs	<u>7,399</u>	<u>2,226</u>
	<u>790,957</u>	<u>647,690</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£	£
Remuneration	302,471	307,910
Company contributions to defined contribution pension plans	<u>1,339</u>	<u>93</u>
	<u>303,810</u>	<u>308,003</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2018	2017
	No.	No.
Defined contribution plans	<u>2</u>	<u>2</u>

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

8. Directors' remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2018 £	2017 £
Aggregate remuneration	<u>169,852</u>	<u>227,287</u>

9. Other interest receivable and similar income

	2018 £	2017 £
Other interest receivable and similar income	<u>88,039</u>	<u>—</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Interest on debenture loans	8,404	44,647
Interest on banks loans and overdrafts	194,678	82,876
Interest on obligations under finance leases and hire purchase contracts	3,130	4,441
	<u>206,212</u>	<u>131,964</u>

11. Tax on profit

Major components of tax expense

	2018 £	2017 £
Current tax:		
UK current tax expense	535,916	714,687
Adjustments in respect of prior periods	4,868	—
Total current tax	<u>540,784</u>	<u>714,687</u>
Deferred tax:		
Origination and reversal of timing differences	(23,161)	76,968
Tax on profit	<u>517,623</u>	<u>791,655</u>

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £127,027 (2017: £53,203).

Churchill Contractors (UK) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2018

11. Tax on profit (continued)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 £	2017 £
Profit on ordinary activities before taxation	3,113,526	3,976,266
Profit on ordinary activities by rate of tax	591,570	765,295
Adjustment to tax charge in respect of prior periods	4,868	–
Effect of expenses not deductible for tax purposes	4,015	5,308
Effect of capital allowances and depreciation	(1,932)	(28,232)
Research and development relief	(15,629)	(57,140)
Effect of fair value impairment on investment property	(42,108)	29,456
Deferred taxation	(23,161)	76,968
Tax on profit	517,623	791,655

12. Dividends

	2018 £	2017 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	167,062	–

13. Tangible assets

	Investment property £	Plant and machinery £	Motor vehicles £	Equipment £	Total £
Cost or valuation					
At 1 January 2018	1,374,999	4,874,409	203,642	51,201	6,504,251
Additions	14,198	376,262	50,914	–	441,374
Revaluations	221,619	419,218	–	–	640,837
Transfers	1,124,184	–	–	–	1,124,184
At 31 December 2018	2,735,000	5,669,889	254,556	51,201	8,710,646
Depreciation					
At 1 January 2018	–	988,255	128,489	43,473	1,160,217
Charge for the year	–	525,067	44,429	3,882	573,378
At 31 December 2018	–	1,513,322	172,918	47,355	1,733,595
Carrying amount					
At 31 December 2018	2,735,000	4,156,567	81,638	3,846	6,977,051
At 31 December 2017	1,374,999	3,886,154	75,153	7,728	5,344,034

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

13. Tangible assets *(continued)*

During the period a property was transferred from work in progress to investment property at a value of £1,124,184 (2017: £nil).

The investment properties were valued by an independent firm of Estate Agents on the basis of open market value.

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Motor vehicles £
At 31 December 2018	38,380
At 31 December 2017	62,982

14. Stocks

	2018 £	2017 £
Stock of properties	931,627	1,790,074
Stock of materials	211,490	157,682
	<u>1,143,117</u>	<u>1,947,756</u>

15. Debtors

	2018 £	2017 £
Trade debtors	2,581,437	2,303,581
Prepayments and accrued income	4,210,760	5,381,241
Directors loan account	91,785	–
Other debtors	6,652,407	3,262,283
	<u>13,536,389</u>	<u>10,947,105</u>

16. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	3,089,961	2,654,375
Trade creditors	2,314,034	1,058,654
Accruals and deferred income	435,039	154,089
Corporation tax	481,489	649,911
Social security and other taxes	52,744	57,918
Obligations under finance leases and hire purchase contracts	35,196	40,391
Director loan accounts	–	471,876
Other creditors	–	646,114
	<u>6,408,463</u>	<u>5,733,328</u>

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

16. Creditors: amounts falling due within one year *(continued)*

On 3 November 2017 and 8 November 2017 fixed and floating charges, containing a negative pledge, were registered by Reward Capital Limited, covering all the property and undertakings of the company including specific charges over the properties known as: 12 Calvin Close, 3 Troutbeck Walk, 18 Bedford Lane and 9 Bramcote. This was satisfied on 24 April 2019 and 30 May 2019.

On 5 July 2018 a fixed and floating charge, containing a negative pledge, was registered by Reward Capital Limited, covering all the property and undertakings of the company including specific charges over the properties known as 33 Lime Avenue. This was satisfied on 24 April 2019.

On 14 March 2019 a fixed and floating charge, containing a negative pledge, was registered by Gatehouse Bank Plc over the freehold properties known as 3 Troutbeck Walk, 9 Bramcote, 33 Lime Avenue and 18 Bedford Lane.

On 21 May 2019 a fixed and floating charge, containing a negative pledge, was registered by Close Brothers Limited, covering all the property and undertakings of the company.

17. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Obligations under finance leases and hire purchase contracts	—	19,529

18. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2018 £	2017 £
Not later than 1 year	35,196	40,391
Later than 1 year and not later than 5 years	—	19,529
	<u>35,196</u>	<u>59,920</u>

19. Provisions

	Deferred tax (note 20) £
At 1 January 2018	356,696
Additions	103,866
At 31 December 2018	<u>460,562</u>

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018\

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018 £	2017 £
Included in provisions (note 19)	<u>460,562</u>	<u>356,696</u>

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

	2018 £	2017 £
Accelerated capital allowances	207,221	244,453
Revaluation of tangible assets	<u>253,341</u>	<u>112,243</u>
	<u>460,562</u>	<u>356,696</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £7,399 (2017: £2,226).

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>14,902,959</u>	<u>12,327,943</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>5,595,118</u>	<u>4,544,956</u>

23. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

24. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£	£
Not later than 1 year	208,944	162,387
Later than 1 year and not later than 5 years	548,528	77,333
	<u>757,472</u>	<u>239,720</u>

The amount of non-cancellable operating leases recognised as an expense during the year was £227,592 (2017: £90,137).

26. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

	2018			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
Mr L Brown	(471,876)	764,528	(292,652)	—
Mr S Lockyer	—	91,785	—	91,785
	<u>(471,876)</u>	<u>856,313</u>	<u>(292,652)</u>	<u>91,785</u>

	2017			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
Mr L Brown	(1,797,272)	1,326,396	(1,000)	(471,876)
Mr S Lockyer	—	—	—	—
	<u>(1,797,272)</u>	<u>1,326,396</u>	<u>(1,000)</u>	<u>(471,876)</u>

Post year end, the director S Lockyer repaid the full amount due to the company of £91,785.

Churchill Contractors (UK) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

27. Related party transactions

During the year the following related party transactions were undertaken:

The company paid key management personnel remuneration totalling £303,811 (2017: £308,003). At the year end £100,000 (2017: £125,000) remained outstanding.

During the year, entities controlled by key management personnel invoiced Churchill Contractors (UK) Limited £162,691 (2017: £146,223) for services provided.

During the year, close family members of key management personnel invoiced or were paid by the Company £270,558 (2017: £40,124) for services provided to the company. As at the year end £Nil (2017: Nil) remained outstanding.

During the year, Churchill Contractors (UK) Limited paid expenses on behalf of entities controlled or jointly controlled by key management personnel totalling £2,670,070 (2017: £2,791,708). No amounts were repaid during the year and as at the year end £5,461,778 (2017: £2,791,708) was owed to Churchill Contractors (UK) Limited.

During the year Churchill Contractors (UK) Limited loaned entities controlled or jointly controlled by key management personal £424,832 (2017: £Nil). At the year end the company was owed £424,832 (2017: £Nil).