Company Registration No. 05080117 (England and Wales)

HIGHWOOD CONSTRUCTION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

HIGHWOOD CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	S Matthews	
	M O Baskerville	
	E A Lord	
	P Prosser	(Appointed 5 August 2020)
	M Hawthorne	(Appointed 5 August 2020)
	S Beech	(Appointed 5 August 2020)
	A Stevenson	(Appointed 19 July 2021)
Company number	05080117	
Registered office	The Hay Barn Upper Ashfield Farm Hoe Lane Romsey Hampshire SO51 9NJ	
Auditor	Fiander Tovell Limited Stag Gates House 63/64 The Avenue Southampton Hampshire SO17 1XS	
Business address	The Hay Barn Upper Ashfield Farm Hoe Lane Romsey Hampshire SO51 9NJ	

HIGHWOOD CONSTRUCTION LIMITED

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HIGHWOOD CONSTRUCTION LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 JUNE 2021

The directors present the strategic report for the period ended 30 June 2021.

Fair review of the business

The company's results for the 16-month period ending 30 June 2021 comprised turnover of £45.2m (2020 - £65.5m), gross profit of £4.4m (2020 - £3.4m), operating profit of £2.5m (2020 - £1.5m) and profit on ordinary activities before taxation of £2.5m (2020 - £1.5m).

The whole group has changed its financial year end from February to June which has ensured that the implementation date for the Group's new IT system was aligned with the new financial year on 1 July 2021. The new system (COINS) was a significant investment for the group in the period but ensures that Highwood is firmly set up for well controlled future growth.

The group's performance for the period under review saw a decrease in turnover from 2020 driven primarily from the impact of COVID-19 which resulted in a shutdown across all sites in April 2020 for a short period. In addition, COVID-19 had the impact of pushing out start dates on future sites that were forecast for the period under review.

Despite these challenges, work had recommenced fully from June 2020 and the group did not suffer any losses due to late practical completions on any of our contracts. Construction at Stoneham still contributed significantly to turnover whilst two land sales were concluded in other group companies but which included contracted construction projects at a new phase at Stoneham and a new care home in Horndean. On the housing side the business completed 325 homes during the period, and on the care side, the business completed 3 care homes, delivering 195 care beds.

Principal risks and uncertainties

Whilst the impact of Covid-19 has had an impact on the group results in the period under review, it has managed to recover back to full capacity with little long-term impact on the business. There was a brief complete shutdown during the early stages of the pandemic and due to a drop in productivity, revised working methods were introduced into the business. There has been no specifically identifiable impact from the pandemic, and, in fact there appears to be an increase in opportunities for the group.

The principal risks and uncertainties likely to affect the group in the future are:

a. The challenging planning system where consent can take years to materialise; compounded by specific issues raised by Natural England such as nitrates, phosphates, and water neutrality – where finding solutions is becoming an ever more onerous task.
b. The still uncertain economic outlook for the UK economy following Brexit and Covid-19 and the follow on impact on consumer and client sentiment.
c. Inflation in building costs such as timber and steel, which have seen annual price increases on specific elements in excess of 100% and which is likely to increase in the foreseeable future; and
d. Construction supply chains for delivery of materials to site due to delivery problems as well as a worldwide shortage of construction material.

Strategies and future outlook

The primary strategy for the group is to continue with its successful partnership activities where we source land, take it through the planning process and then develop out (construct/sell) in partnership with either a housing association, local authority, or private sector owner/manager. This allows the group to maintain a positive cash position whilst still extracting good margins from the sites it identifies. The group focusses on housing sites, care home sites and care village/retirement living sites, seeing all these sub-sectors as having underlying long term growth prospects.

In addition to this primary strategy, the group is also looking to continue to maintain our healthy contracting business across our core competencies of housing, care homes and retirement living products.

In terms of the short-term outlook, the group has a pipeline in excess of £120m in its contracting business and, including other sister companies under common control, has c3,400 plots and 7 care home sites either owned or under its control. The Directors are therefore currently confident of the continuing success and growth of the group in the short term.

Group section 172 statement

The success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term sustainable success.

The group operates as a consolidated entity across both the development activities and the contracting activities with a single executive board to oversee and consider any major decisions made by the group. There is also an oversight board which consists of the Directors of Highwood Holdings Ltd and which is in place to ensure any decisions made by the executive board are reviewed and consistent with the high standard and values of the group.

The business reviews its long terms plan on regular basis (at least annually) and, in that review, a robust appreciation is taken of all stakeholders from staff to supply chain and all our business partners. A summary communication event is held annually to then update all employees as to the conclusions of the plan discussion and thus outline the strategic direction of the business.

Employees - Our employees are clearly the heart of the business and management therefore look to engage with them regularly through news updates and communication events. As a relatively small business with only 78 employees, it is still possible to maintain reasonable individual relationships with all employees. However, the company does conduct an annual staff survey to ensure everyone has a chance to feedback anonymously on any issue and management are able to understand some of the key concerns of staff.

Customers - As a business focused on partnering, the relationship between the business and our partners/customers is clearly paramount to our future success and a key focus for all our management and employees with regular communication at a number of levels. Highwood prides itself on delivering a quality service and product and this is what is at the core of the culture of the business and ensuring our ongoing customer relationships. This is also reflected in the fact that all our customers granted extension on time for contracts that were affected by COVID-19.

Suppliers – Our supply chain is vital in ensuring we deliver our product, and the company has a long-standing reputation in the marketplace as a business to work for, built up through years of trust, regular communication and delivery on our promises. In particular, we pride ourselves on ensuring we maintain excellent payment terms to our suppliers as we see this as the most important lever in engendering really positive relationships and loyalty. This relationship has been particularly important in dealing with the supply chain risks mentioned in this report which has to some extent mitigated supply chain interruptions.

Environment – Highwood group are conscious of the impact construction has on the environment and is therefore committed to implement requirements of the Streamlined Energy and Carbon Reporting (SECR), introduced on 1st April 2019. The group is required to report on energy use and associated greenhouse gas emissions across all its sites and steps it intends to take to reduce its carbon emissions.

An independent assessment has been carried out to determine the scope of Highwood's activities for which energy use and associated greenhouse gas emissions should be reported. Energy use and emissions have been calculated following the methodology set out in the Government's SECR Guidance. Energy consumption during the reporting period will have been affected by the Covid 19 pandemic which restricted both site operation and travel. For this reason, CO2 emissions have also been calculated for the period 1 July 2020 to 30 June 2021 to provide a baseline figure for future comparisons. For this 12-month period carbon emissions were 5.57 tonnes CO2e / £1 million turnover. Highwood Group commits to reduce carbon emissions from Scope 1 & 2 activities under the remit of SECR to net zero by 2025. Steps will also be taken to actively engage with both our supply chain and employees to reduce Scope 3 emissions.

On behalf of the board

M O Baskerville
Director

3 November 2021

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the period ended 30 June 2021.

Principal activities

The principal activity of the company continued to be that of property development, building and construction services.

Results and dividends

The results for the period are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

P M Woodward	(Resigned 1 July 2020)
M Mintram	(Resigned 5 July 2021)
N L Shannon	(Resigned 5 July 2021)
N A Meek	(Resigned 5 July 2021)
S Matthews	
G D Hayward	(Resigned 5 August 2020)
M O Baskerville	
E A Lord	
P Prosser	(Appointed 5 August 2020)
M Hawthorne	(Appointed 5 August 2020)
S Beech	(Appointed 5 August 2020)
A Stevenson	(Appointed 19 July 2021)

Financial instruments

Treasury operations and financial instruments

The company operates a treasury function which is responsible for managing the liquidity and interest risks associated with the company's activities.

The company's principal financial instruments include bank balances, trade debtors and trade creditors arising directly from its operations.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Credit risk

Investments of cash surpluses and borrowings are made through financial institutions which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Pricing risk

The directors consider that the company faces the usual pricing risk of any other company operating in a competitive, commercial environment.

Changes in presentation of the financial statements

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of strategies and future outlook.

Auditor

The auditor, Fiander Tovell Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

Highwood Group are conscious of the impact construction has on the environment and is therefore committed to implement requirements of the Streamlined Energy and Carbon Reporting (SECR), introduced on 1st April 2019. The group is required to report on energy use and associated greenhouse gas emissions across all its sites and steps it intends to take to reduce its carbon emissions.

The metrics reported below are for the whole group.

	2021
Energy consumption	**kWh**
Aggregate of energy consumption in the year	
- Fuel consumed for transport	687,410
- Electricity purchased	245,588
	932,998

	2021
Emissions of CO2 equivalent	**metric tonnes**
Scope 1 - direct emissions	
- Gas combustion	-
- Fuel consumed for owned transport	10.27
	10.27
Scope 2 - indirect emissions	
- Electricity purchased	52.15
- Fuel consumed for transport not owned by the	185.43
Total gross emissions	247.85
Intensity ratio	
Scope 1 and 2 CO2 tonnes per £1m turnover	4.63

Quantification and reporting methodology

An independent assessment has been carried out to determine the scope of Highwood's activities for which energy use and associated greenhouse gas emissions should be reported. Energy use and emissions have been calculated following the methodology set out in the Government's SECR Guidance.

Intensity measurement

Energy consumption during the reporting period will have been affected by the Covid 19 pandemic which restricted both site operation and travel. For this reason, CO2 emissions have also been calculated for the period 1 July 2020 to 30 June 2021 to provide a baseline figure for future comparisons. For this 12-month period carbon emissions were 5.57 tonnes CO2e / £1 million turnover.

Measures taken to improve energy efficiency

Highwood Group commits to reduce carbon emissions from Scope 1 & 2 activities under the remit of SECR to net zero by 2025. Steps will also be taken to actively engage with both our supply chain and employees to reduce Scope 3 emissions.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

M O Baskerville
Director

3 November 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HIGHWOOD CONSTRUCTION LIMITED

Opinion

We have audited the financial statements of Highwood Construction Limited (the 'company') for the period ended 30 June 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 30 June 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; 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 and the directors' report.

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

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Audit response to risk identified

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Andrew Jay ACA FCCA (Senior Statutory Auditor)
For and on behalf of Fiander Tovell Limited

3 November 2021

Chartered Accountants
Statutory Auditor

Stag Gates House
63/64 The Avenue
Southampton
Hampshire
SO17 1XS

HIGHWOOD CONSTRUCTION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2021

	Notes	Period ended 30 June 2021 £'000	Year ended 29 February 2020 £'000
Turnover	3	45,185	65,482
Cost of sales		(40,758)	(62,084)
Gross profit		4,427	3,398
Administrative expenses		(2,274)	(1,938)
Other operating income		325	68
Operating profit	4	2,478	1,528
Interest payable and similar expenses	8	(1)	-
Profit before taxation		2,477	1,528
Tax on profit	9	(505)	(267)
Profit for the financial period		1,972	1,261

The profit and loss account has been prepared on the basis that all operations are continuing operations.

HIGHWOOD CONSTRUCTION LIMITED

BALANCE SHEET

AS AT 30 JUNE 2021

		2021		2020	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible assets	**11**		167		225
Current assets					
Stocks	**12**	225		63	
Debtors	**13**	14,422		11,824	
Cash at bank and in hand		5,165		6,347	
		19,812		18,234	
Creditors: amounts falling due within one year	**14**	(12,770)		(12,314)	
Net current assets			7,042		5,920
Total assets less current liabilities			7,209		6,145
Creditors: amounts falling due after more than one year	**15**		(1,101)		(2,009)
Net assets			6,108		4,136
Capital and reserves					
Called up share capital	**17**		30		30
Share premium account			180		180
Profit and loss reserves			5,898		3,926
Total equity			6,108		4,136

The financial statements were approved by the board of directors and authorised for issue on 3 November 2021 and are signed on its behalf by:

M O Baskerville
Director

Company Registration No. 05080117

HIGHWOOD CONSTRUCTION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2021

	Notes	Share capital	Share premium account	Profit and loss reserves	Total
		£'000	£'000	£'000	£'000
Balance at 1 March 2019		30	180	2,898	3,108
Year ended 29 February 2020:					
Profit and total comprehensive income for the year		-	-	1,261	1,261
Dividends	**10**	-	-	(233)	(233)
Balance at 29 February 2020		30	180	3,926	4,136
Period ended 30 June 2021:					
Profit and total comprehensive income for the period		-	-	1,972	1,972
Balance at 30 June 2021		30	180	5,898	6,108

1 Accounting policies

Company information
Highwood Construction Limited is a private company limited by shares, incorporated in England and Wales. The registered office is The Hay Barn, Upper Ashfield Farm, Hoe Lane, Romsey, Hampshire, SO51 9NJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated into the financial statements of Highwood Group Limited which are consolidated into the financial statements of Highwood Holdings Limited. Both sets of consolidated financial statements are available from Companies House.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Reporting period

The financial statements cover the period from the 1 March 2020 to 30 June 2021. As a result, the comparatives, which cover the year ended 29 February 2020 are not entirely comparable.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. The company recognises turnover on an accruals basis, where the amount of turnover can be reliably measured and it is probable that the future economic benefits will flow to the company.

Revenue from construction contracts is recognised by reference to the value of certified work at the year end.

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10% straight line
Plant and equipment	20% - 25% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Stocks

Stock and work in progress are valued at the lower of cost or net realisable value.

Long term contracts are stated at cost less foreseeable losses and payments on account.

1.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
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 company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies **(Continued)**

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Government grants

Government grants are recognised in the same period as the expense to which they relate at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Going concern

In deciding whether to prepare the accounts on a going concern basis, the directors have been required to make judgements about the ongoing trading activity of the group for at least the next twelve months.

This judgement has required consideration and quantification of the financial effects of the COVID-19 pandemic and the countrywide lockdown on the trading activity of the business. This has enabled them to conclude that the financial and operating effect of the virus has not been as significant as in some other sectors and therefore that there has been no material effect on the ability of the group to meet their obligations as they fall due (or withstand other economic shocks).

2 Judgements and key sources of estimation uncertainty **(Continued)**

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Accounting for construction contracts

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimation in relation to costs and value of work performed to date and to be performed in bringing contracts to completion. These estimates are made by reference to recovery of pre-contracts costs, variations in work scopes, claim recoveries and expected contract costs to complete. The company has appropriate control procedures to ensure all estimates are determined on a consistent basis and subject to review and authorisation. The amount included in cost accruals which has been estimated based on the expected profit margin for the contract is £3,776,000 (2020: £6,457,000).

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021	2020
	£'000	£'000
Turnover analysed by class of business		
Revenue from construction contracts	45,183	65,481

4 Operating profit

	2021	2020
Operating profit for the period is stated after charging:	£'000	£'000
Depreciation of owned tangible fixed assets	67	55

5 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor and associates:	£'000	£'000
For audit services		
Audit of the financial statements of the company	14	10

6 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2021 Number	2020 Number
Admin staff	17	17
Operational staff	52	45
Directors	9	10
Total	78	72

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	4,644	3,733
Social security costs	539	438
Pension costs	356	96
	5,539	4,267

The employees noted above are employed by Highwood Resources Limited (a fellow subsidiary of Highwood Group Limited). The costs of employment are recharged from Highwood Resources Limited to the rest of the group based on activity. The directors have included disclosure of the relevant employee numbers and costs of the staff allocated to the company as they believe that this provides a more true and fair view of the company's performance.

7 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	560	734
Company pension contributions to defined contribution schemes	126	12
	686	746

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2020 - 8).

7 Directors' remuneration **(Continued)**

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £'000	2020 £'000
Remuneration for qualifying services	163	152
Company pension contributions to defined contribution schemes	5	2

The amounts included for employee and directors' remuneration cover the 16 month period ended 30 June 2021. The comparative amounts cover the year ended 29 February 2020, and as a result are not entirely comparable.

8 Interest payable and similar expenses

	2021 £'000	2020 £'000
Other interest	1	-

9 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	502	267
Adjustments in respect of prior periods	3	-
Total current tax	505	267

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2021 £'000	2020 £'000
Profit before taxation	2,477	1,528
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	471	290
Tax effect of expenses that are not deductible in determining taxable profit	21	8
Adjustments in respect of prior years	3	-
Group relief	-	(33)
Depreciation on assets not qualifying for tax allowances	-	2
Other non-reversing timing differences	10	-
Taxation charge for the period	505	267

10 Dividends

	2021	2020
	£'000	£'000
Dividends paid	-	233

11 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 March 2020	263	217	17	497
Additions	-	9	-	9
At 30 June 2021	263	226	17	506
Depreciation and impairment				
At 1 March 2020	114	157	1	272
Depreciation charged in the period	32	33	2	67
At 30 June 2021	146	190	3	339
Carrying amount				
At 30 June 2021	117	36	14	167
At 29 February 2020	149	60	16	225

12 Stocks

	2021	2020
	£'000	£'000
Work in progress	225	63

13 Debtors

	2021	2020
Amounts falling due within one year:	£'000	£'000
Trade debtors	4,662	5,084
Amounts owed by group undertakings	7,966	4,556
Other debtors	4	143
Prepayments and accrued income	75	2
	12,707	9,785

13 Debtors (Continued)

Amounts falling due after more than one year:	2021 £'000	2020 £'000
Trade debtors	1,715	2,039
Total debtors	14,422	11,824

14 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	5,137	1,632
Amounts owed to group undertakings	-	174
Corporation tax	146	171
Other taxation and social security	434	183
Other creditors	21	26
Accruals and deferred income	7,032	10,128
	12,770	12,314

15 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Trade creditors	1,101	2,009

16 Retirement benefit schemes

Defined contribution schemes	2021 £'000	2020 £'000
Charge to profit or loss in respect of defined contribution schemes	356	96

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount payable at the year end amounted to £21,000 (2020: £22,000).

17 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Issued and fully paid				
Ordinary A shares of £1 each	30,000	24,600	30	25
Ordinary B shares of £1 each	-	5,400	-	5
	30,000	30,000	30	30

Ordinary A and B shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

18 Operating lease commitments

Operating lease payments represent rentals payable by the company for the use of vehicles. The leases are an average term of 3 to 4 years.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£'000	**£'000**
Within one year	-	14
Between two and five years	-	10
	-	24

19 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021	2020
	£'000	**£'000**
Acquisition of intangible assets	176	-

Capital commitments relate to software costs to be classified within intangible assets, which were committed to as at 30 June 2021.

20 Ultimate controlling party

The immediate parent company is Highwood Group Limited, a company incorporated in England and Wales. Its registered office is The Hay Barn, Upper Ashfield Farm, Hoe Lane, Romsey, Hampshire SO51 9NJ and copies of the consolidated financial statements can be obtained from Companies House.

The ultimate parent is Highwood Holdings Limited which has the same registered office and consolidated accounts can be obtained from Companies House.