

SIMPSON (YORK) LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2016



ArmstrongWatson[®]
Accountants, Business & Financial Advisers

SIMPSON (YORK) LIMITED

COMPANY INFORMATION

Directors

R C Gatenby F.C.I.O.B
B Gatenby
R C Allerton B.Sc (Hons)
A Gatenby B.Sc (Hons) M.C.I.O.B
I R Hildreth F.C.I.O.B (resigned 18 May 2017)
J Pursehouse FCA
N P Silcock F.C.I.O.B

Company secretary

J Pursehouse FCA

Registered number

00847721

Registered office

10 Hassacarr Close
Chessingham Park
Dunnington
York
North Yorkshire
YO19 5SN

Independent auditors

Armstrong Watson Audit Limited
Chartered Accountants and Statutory Auditors
Third Floor
10 South Parade
Leeds
LS1 5QS

Bankers

HSBC Plc
33 Park Row
Leeds
LS1 1LD

Bank of Scotland Plc
Lisbon House
116 Wellington Street
Leeds
LS1 4LT

SIMPSON (YORK) LIMITED

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SIMPSON (YORK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The Directors present their Strategic Report for Simpson (York) Limited for the year ended 31 December 2016.

2016 has provided another opportunity for SIMPSON to deliver projects in a safe, enjoyable and a healthy way.

Our Core Values underpin our activity in our construction, fit out and joinery works throughout the business, and help us to maintain our endeavour to be "the preferred choice".

We maintain our environmental standards and commitments and are proud of our FSC certification in terms of our joinery works.

We continue to be a recognised player in the fit out and construction market place, operating throughout the UK, supported by 174 direct employees, maintaining long term relationships through our customers to support them and their growth and delivering our projects sustainably.

We conduct our business in an ethical manner with a commitment to health and safety for our workforce, and maintain the ethos of our core values.

Business review

Our long term relationships continue in fit out with some of our key accounts, including Primark, Debenhams, Marks & Spencer's and J Sainsbury, for whom we deliver our quality service throughout the UK, and in construction delivered predominately in the north, although also underpinning our fit out works where needed. Our clients include Nestle, Durham Cathedral (for whom we concluded the final phase of the Open Treasure works), North Yorkshire County Council and Springfield Healthcare for whom we are in the concluding phases currently of their healthcare village at the Terry's Chocolate Works site in York.

We have also continued to provide a high quality bespoke housing service on larger value size projects in rural North Yorkshire.

On the Financial Services side we have delivered further projects for Virgin Money, helping them to undertake their re-brand in locations such as Sheffield and Haymarket London.

Our re-accreditation has continued with the renewal of ISO 9001, ISO 14001 and OHSAS 18001.

The "Blue" initiative team have continued their good work and have latterly been particularly focused on the installation of our Enterprise Resource Planning computer system which is now fully operational.

SIMPSON (YORK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties

This time last year we were reporting on the uncertainty of the General Election, latterly we could refer to the Brexit, although our enquiries and workload remain strong, however we do need to see confidence maintained in the economy so that investment continues and businesses flourish.

Our construction activity has been at a turnover level of £24m, and in parallel the fit out level has been at £45.3m, an overall increase in turnover levels for the year.

2016 has proven to be a year of change for us in terms of the Executive team, and Ian Hildreth has resigned as Managing Director. This position has been taken over by Neil Silcock who has been with the business since 2007 as Production Director.

We are confident that this change in structure and the workload secured already for 2017 will underpin our growth.

Our financial stability remains strong and is further demonstrated by our Dun & Bradstreet rating 3A1. This continues to be a comfort and confidence to our key accounts, as this gives our customers and suppliers the confidence that we are a solid business with which to trade both now and in the future. The SIMPSON business has always been focused on the medium and long term, and continues this attitude as we have substantial financial reserves which in turn have grown.

Financial key performance indicators

Management use a range of performance measures to monitor and manage the business. These are split into financial and non financial key performance indicators as set out below.

Profit retentions	gross profit margin, net profit margin, return on capital employed
Liquidity ratios	current ratio
Activity ratios	debtor days, creditor days
Capital ratios	gearing
Non financial	accident incident rate, staff turnover, customer and public complaints, customer satisfaction, Bradford points, insurance claims

SIMPSON (YORK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL PERFORMANCE AND POSITION

SUSTAINABILITY - PEOPLE, PLANET, PROSPERITY

People

- SIMPSON Accident Incident Rate, 79 continues to be consistently below the HSE industry reported average of 311.
- There have been 7 HSE inspections with positive feedback received on all visits. Our provision of 4 training days per employee, exceeds industry average of 2 days per employee
- 76% of SIMPSON employees have been with the business for over 5 years
- 100% of all site management have a Site Managers Safety Training Scheme / Site Supervisors Safety Training Scheme as appropriate
- 6% of our employees have gained professional qualifications this year

Planet

- 95% - total waste diverted from landfill – continually looking for innovative solutions to increase this figure
- FSC registration audited and maintained for a further year, now being over 6 years
- ISO 9001 & ISO 14001 (both since 2003) and OHSAS 18001 (since 2011) all re-accredited

Prosperity

- 15 charities directly supported by the Business and donations of £20,000
- Silver Award Winner at the Considerate Constructors Awards for our commitment on Durham Cathedral Phase II
- Bronze Award Winner at the Considerate Constructors Awards for our commitment on Durham Cathedral Phase 2.
- Winners of Achievement through People York Press Awards
- RIBA Yorkshire Award winners: Conservation award and project team award for the York Art Gallery project
- Winner of a York Design Award for Large Public and Community Buildings for the York Art Gallery project
- 2017 British Safety Council International Safety award

SUMMARY

The SIMPSON team remain committed and passionate regarding their business objective to be "the preferred choice" for their Customers fit out and construction works and as an employer with the added vision of continuing as a successful and profitable business within our Yorkshire regional base.

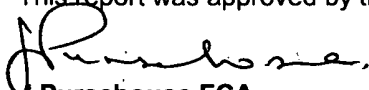
This passion and commitment is supported by our current Business Plan which has become embedded within our business operations to support our planned growth. This is also demonstrated by our continued increasing repeat work levels from our key accounts, both for tendered and negotiated works.

In 2017, whilst still in the first half of the year timewise, the company is already demonstrating in excess of £60m of secured forward workload which places the business in a strong position for the rest of the year.

This report was approved by the board on

19/09/17

and signed on its behalf.


J Pursehouse FCA
Secretary

SIMPSON (YORK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £504,508 (2015 - £959,834).

Dividends of £500,000 (2015: £300,000) were paid during the year.

Directors

The directors who served during the year were:

R C Gatenby F.C.I.O.B
B Gatenby
R C Allerton B.Sc (Hons)
A Gatenby B.Sc (Hons) M.C.I.O.B
I R Hildreth F.C.I.O.B (resigned 18 May 2017)
J Pursehouse FCA
N P Silcock F.C.I.O.B

Future developments

The directors are not expecting to make any significant changes in the nature of the business in the near future.

Matters covered in the strategic report

Information is not shown in the director's report because it is shown in the strategic report instead under s414C (11). The strategic report includes a business review, principal risk and uncertainties and financial key performance indicators.

SIMPSON (YORK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

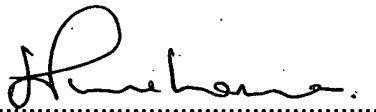
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, Armstrong Watson Audit Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on - 19/09/17 and signed on its behalf.



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J Pursehouse FCA
Secretary

SIMPSON (YORK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SIMPSON (YORK) LIMITED

We have audited the financial statements of Simpson (York) Limited for the year ended 31 December 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our 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.

SIMPSON (YORK) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SIMPSON (YORK) LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

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

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

Armstrong Watson Audit Ltd

William Booth (Senior statutory auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants and Statutory Auditors

Leeds

Date: 19-9-17

SIMPSON (YORK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover		69,345,528	61,187,379
Cost of sales		(65,430,973)	(56,906,567)
Gross profit		3,914,555	4,280,812
Administrative expenses		(3,397,461)	(3,117,310)
Other operating income		131,946	41,601
Operating profit		649,040	1,205,103
Interest receivable and similar income	10	11,547	14,615
Interest payable and expenses	11	(6,629)	(11,814)
Profit before tax		653,958	1,207,904
Tax on profit	12	(149,450)	(248,070)
Profit for the year		504,508	959,834
Other comprehensive income for the year			
Movement on share option reserve		17,311	10,149
Other comprehensive income for the year		17,311	10,149
Total comprehensive income for the year		521,819	969,983

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

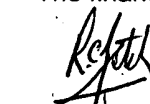
The notes on pages 11 to 29 form part of these financial statements.

SIMPSON (YORK) LIMITED
REGISTERED NUMBER: 00847721

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	14	1,459,557	1,849,352
Investment property	15	1,717,500	1,520,000
		<u>3,177,057</u>	<u>3,369,352</u>
Current assets			
Stocks	16	345,343	320,692
Debtors: amounts falling due within one year	17	14,021,223	7,962,873
Cash at bank and in hand	18	3,902,224	5,597,943
		<u>18,268,790</u>	<u>13,881,508</u>
Creditors: amounts falling due within one year	19	(18,081,481)	(13,843,305)
Net current assets		<u>187,309</u>	<u>38,203</u>
Total assets less current liabilities		<u>3,364,366</u>	<u>3,407,555</u>
Creditors: amounts falling due after more than one year	20	(33,304)	(83,770)
Provisions for liabilities			
Deferred tax		(32,944)	(47,486)
		<u>(32,944)</u>	<u>(47,486)</u>
Net assets		<u>3,298,118</u>	<u>3,276,299</u>
Capital and reserves			
Called up share capital	24	500,000	500,000
Share option reserve	25	242,439	225,128
Profit and loss account	25	2,555,679	2,551,171
		<u>3,298,118</u>	<u>3,276,299</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


R C Gatenby F.C.I.O.B
 Director

Date: 19-9-17

The notes on pages 11 to 29 form part of these financial statements.

SIMPSON (YORK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share option reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	500,000	225,128	2,551,171	3,276,299
Comprehensive income for the year				
Profit for the year	-	-	504,508	504,508
Movement on share option reserve	-	17,311	-	17,311
Other comprehensive income for the year	-	17,311	-	17,311
Total comprehensive income for the year	-	17,311	504,508	521,819
Dividends: Equity capital	-	-	(500,000)	(500,000)
Total transactions with owners	-	-	(500,000)	(500,000)
At 31 December 2016	500,000	242,439	2,555,679	3,298,118

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Share option reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	500,000	214,979	1,891,337	2,606,316
Comprehensive income for the year				
Profit for the year	-	-	959,834	959,834
Movement on share option reserve	-	10,149	-	10,149
Other comprehensive income for the year	-	10,149	-	10,149
Total comprehensive income for the year	-	10,149	959,834	969,983
Dividends: Equity capital	-	-	(300,000)	(300,000)
Total transactions with owners	-	-	(300,000)	(300,000)
At 31 December 2015	500,000	225,128	2,551,171	3,276,299

The notes on pages 11 to 29 form part of these financial statements.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

The principal activity of the company during the year was that of fitting out, construction, maintenance and development operating from their registered office located in 10 Hassacarr Close, Chessingham Park, Dunnington, York, North Yorkshire, YO19 5SN.

The company is a limited liability company incorporated and domiciled in the United Kingdom. The company is a tax resident in the United Kingdom. The accounts are prepared in sterling (£).

2. Accounting policies

The main accounting policies are outlined below:

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Simpson (York) Holdings Limited as at 31 December 2016 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% per annum
Plant and machinery	- 10% - 20% per annum
Motor vehicles	- 20% - 40% per annum
Fixtures and fittings	- 25% - 33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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 income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.11 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

2.14 Operating leases: the Company as lessor

Rentals income from operating leases is credited to the Statement of comprehensive income on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.16 Leased assets: the Company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.17 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance sheet date.

2.19 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.22 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2.23 Investment property

Investment property is carried at fair value determined by a professional valuation and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Profit and loss account.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no key sources of estimation uncertainty in applying accounting policies in the financial statements.

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Fitting out	45,302,606	41,331,123
Construction	24,042,922	19,856,256
	<u>69,345,528</u>	<u>61,187,379</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2016 £	2015 £
Net rents receivable	131,946	41,601
	<u>131,946</u>	<u>41,601</u>

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	450,669	361,536
Operating lease rentals	234,986	234,986
Defined contribution pension cost	220,349	216,448
	<u> </u>	<u> </u>

7. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	18,500	18,500
	<u> </u>	<u> </u>
	18,500	18,500
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	1,750	1,750
All other services	1,722	2,648
	<u> </u>	<u> </u>
	3,472	4,398
	<u> </u>	<u> </u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	7,807,474	8,132,952
Social security costs	965,639	1,000,195
Cost of defined contribution scheme	220,349	216,448
	<u> </u>	<u> </u>
	8,993,462	9,349,595
	<u> </u>	<u> </u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Number of production staff	147	153
Number of administrative staff	27	25
	<u> </u>	<u> </u>
	174	178
	<u> </u>	<u> </u>

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	693,682	734,183
Company contributions to defined contribution pension schemes	35,648	29,110
	<u>729,330</u>	<u>763,293</u>

During the year retirement benefits were accruing to 5 directors (2015 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £189,537 (2015 - £209,038).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,590 (2015 - £9,590).

10. Interest receivable

	2016 £	2015 £
Other interest receivable	11,547	14,615
	<u>11,547</u>	<u>14,615</u>

11. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	2	1
Finance leases and hire purchase contracts	6,627	11,813
	<u>6,629</u>	<u>11,814</u>

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	165,842	183,667
Adjustments in respect of previous periods	(1,850)	-
	<u>163,992</u>	<u>183,667</u>
Total current tax	<u>163,992</u>	<u>183,667</u>
Deferred tax		
Origination and reversal of timing differences	(14,542)	64,403
Total deferred tax	<u>(14,542)</u>	<u>64,403</u>
Taxation on profit on ordinary activities	<u>149,450</u>	<u>248,070</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>653,958</u>	<u>1,015,116</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	130,792	244,560
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	3,685
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	35,048	2,055
Adjustments to tax charge in respect of prior periods	(1,850)	(1,434)
Other timing differences leading to an increase (decrease) in taxation	(14,540)	(796)
Total tax charge for the year	<u>149,450</u>	<u>248,070</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

SIMPSON (YORK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Dividends

	2016 £	2015 £
Dividends paid on equity capital	500,000	300,000
	500,000	300,000

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2016	650,000	387,992	2,000,964	593,916	3,632,872
Additions	-	76,730	190,989	75,886	343,605
Disposals	(260,000)	(22,348)	(189,630)	(24,099)	(496,077)
Revaluations	(30,000)	-	-	-	(30,000)
At 31 December 2016	360,000	442,374	2,002,323	645,703	3,450,400
Depreciation					
At 1 January 2016	48,750	316,932	1,120,857	296,983	1,783,522
Charge for the year on owned assets	7,550	9,261	249,532	46,636	312,979
Charge for the year on financed assets	-	15,601	122,089	-	137,690
Disposals	(22,100)	(10,705)	(186,454)	(24,089)	(243,348)
At 31 December 2016	34,200	331,089	1,306,024	319,530	1,990,843
Net book value					
At 31 December 2016	325,800	111,285	696,299	326,173	1,459,557
At 31 December 2015	601,250	71,060	880,108	296,934	1,849,352

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Plant and machinery	103,295	45,396
Motor vehicles	154,367	276,456
	257,662	321,852

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Investment property

	Freehold investment property £
Valuation	
At 1 January 2016	1,520,000
Additions at cost	260,000
Surplus on revaluation	(62,500)
At 31 December 2016	1,717,500

The 2016 valuations were made by Blacks Property Consultants Limited, a firm of external qualified professional valuers, on an open market value for existing use basis.

16. Stocks

	2016 £	2015 £
Work in progress	345,343	320,692
	345,343	320,692

17. Debtors

	2016 £	2015 £
Trade debtors	6,250,414	2,778,146
Trade debtors	7,460,823	4,554,016
Other debtors	181,400	522,063
Prepayments	128,586	108,648
	14,021,223	7,962,873

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	3,902,224	5,597,943
	<u>3,902,224</u>	<u>5,597,943</u>

19. Creditors: Amounts falling due within one year

	2016 £	2015 £
Amounts owed on contracts	12,433,137	8,356,269
Trade creditors	1,586,686	605,606
Amounts owed to group undertakings	1,660,836	2,139,740
Corporation tax	199,066	338,741
Taxation and social security	546,740	317,817
Obligations under finance lease and hire purchase contracts	98,222	168,413
Other creditors	421,515	504,186
Accruals and deferred income	1,135,279	1,412,533
	<u>18,081,481</u>	<u>13,843,305</u>

20. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Net obligations under finance leases and hire purchase contracts	33,304	83,770
	<u>33,304</u>	<u>83,770</u>

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	98,222	168,413
Between 2-5 years	33,304	83,770
	<u>131,526</u>	<u>252,183</u>

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	3,902,224	5,597,943
Financial assets that are debt instruments measured at amortised cost	7,642,222	5,076,079
	<u>11,544,446</u>	<u>10,674,022</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(4,404,324)	(4,157,879)
	<u>(4,404,324)</u>	<u>(4,157,879)</u>

23. Deferred taxation

	2016 £	2015 £
At beginning of year	(47,486)	16,917
Charged to the profit or loss	14,542	(64,403)
At end of year	<u>(32,944)</u>	<u>(47,486)</u>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(32,944)	(47,486)
	<u>(32,944)</u>	<u>(47,486)</u>

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

24. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
250,000 Ordinary A Shares shares of £1 each	250,000	250,000
250,000 Ordinary B Shares shares of £1 each	250,000	250,000
	<u>500,000</u>	<u>500,000</u>

The Ordinary Shares carry rights of one vote per share and have no restrictions on the distribution of dividends and the repayment of capital.

25. Reserves

Share option reserve

The share option reserve arose from the accumulated annual cost (calculated using the Black Scholes Method) of providing the Employee Share Options detailed in note 25.

26. Provisions

A provision has been recognised for potential back holiday pay. As this is subject to other party litigation which is currently going through the courts the directors feel it would prejudice seriously the position if further disclosure were made.

Also other long term contract provisions have been recognised which the directors also feel would be prejudicial to disclose.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

27. Share based payments

The only share based payments that existed during the period were options over ordinary shares in Simpson (York) Holdings Limited.

The options were granted on 2 May 2011.

These options are exercisable in accordance with the following rules:

1) One third of the options are exercisable if:

Company's audited consolidated accounts for the year ending 31 December 2015 show both:

- (i) turnover exceeding that in the previous financial year; and
- (ii) profit before interest and tax exceeding 3% of that turnover

2) A further one third (or two thirds, if the above conditions are not met) of the options are exercisable if:

Company's audited consolidated accounts for the year ending 31 December 2016 show both:

- (i) turnover exceeding that in the previous financial year; and
- (ii) profit before interest and tax exceeding 3% of that turnover

3) Any remaining options are exercisable if:

Company's audited consolidated accounts for the year ending 31 December 2017 show both:

- (i) turnover exceeding that in the previous financial year; and
- (ii) profit before interest and tax exceeding 3% of that turnover

Based on the company forecasts it was assumed that the conditions for each vesting period would be met, therefore the options would become exercisable in 3 equal tranches. Those based on the years 2014, 2015 and 2016 have not, and will not be exercised.

Each option is exercisable within 6 years of grant.

Further details of the share option are as follows:

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	1.54	570,800	1.54	670,800
Granted during the year		-		-
Lapsed during the year		(20,000)		(100,000)
Total		550,800		570,800

No options were exercised during the period.

Share options outstanding at the end of the year had an exercise price of £1.54.

The weighted average remaining contractual life of the options outstanding at the end of the period was 0.34 years.

The weighted average fair value of the share options granted during the period at their date of grant is £0.46 per share.

The option pricing model used to estimate the options' fair value is the Black Scholes model. Relevant inputs to the model include:

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

27. Share based payments (continued)

	2016	2015
Weighted average share price - £	(2)	(2)
Weighted average exercise price - £	2	2
Expected volatility - %	34	34
Expected life - years	5	5
Expected dividend yield - %	8	8

In establishing the option life, it was assumed that the relevant targets will be met and options would be exercised on 30 April 2015, 2016 and 2017. The options falling due on 30 April 2015, 2016 and 2017 have not, and will not be exercised.

Determination of Expected Volatility:

The share values previously established for the period 2000-2011 have been used to calculate the volatility of the price in shares in Simpson (York) Holdings Limited.

These have therefore been used as an indication of volatility, with the changes in price assumed to take place on a linear basis between each actual valuation.

No other features were incorporated into the measurement of fair value.

28. Contingent liabilities

At 31 December 2016 there were contingent liabilities in respect of performance bonds arranged with the insurance company which amounted to £2,766,382 (2015: £2,570,689).

HSBC plc holds a fixed charge over book debts, goodwill, uncalled capital and intellectual property and a floating charge over all other assets of the company.

There are unlimited cross guarantees between Simpson (York) Limited and Simpson (York) Holdings Limited in favour of HSBC plc.

SIMPSON (YORK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

29. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £220,349 (2015 - £216,448). Contributions totalling £2,744 (2015 - £23,956) were payable to the fund at the balance sheet date.

30. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	234,986	234,986
Later than 1 year and not later than 5 years	865,730	500,385
Later than 5 years	759,182	80,025
Total	1,859,898	815,396

The company is also a lessor and had the following minimum lease payments under non-cancellable operating leases as follows:

At 31 December 2016, the company was due £482,661 (2015: £397,245) from operating leases and £121,250 (2015: £81,250) is due within one year and £361,411 (2015: £315,995) is due between 12 months and 5 years.

31. Related party transactions

Simpson (York) Limited rent their offices from R.C. & B. Gatenby for £159,936 per annum. In the current year rent of £159,936 (2015: £159,936) was paid.

The company rents the Joiners' Shop and units 11 and 12 from Crescent Trustees Limited. Crescent Trustees Limited are the trustees of R.C. & B. Gatenby's pension funds. During the year, the company paid rent of £75,050 (2015: £75,050) to Crescent Trustees Limited.

The company has taken advantage of the exemption contained in Section 33 of FRS 102 'Related Party Disclosures' from disclosing transactions with entities which are part of the group, since 100% of the voting rights in the company are controlled within the group and the company is included within the group accounts which are publicly available.

32. Controlling party

The ultimate parent company is Simpson (York) Holdings Ltd, a company incorporated in England and Wales.

The ultimate controlling party is R C & B Gatenby, throughout the current and previous year.