

HOWARD CIVIL ENGINEERING LIMITED

Company Registration Number: 04656708

Annual Report and Financial Statements 2015

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Howard Civil Engineering Limited
Annual Report and Financial Statements 2015
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Howard Civil Engineering Limited
Officers and Professional Advisers

Directors

M T Howard
G D Howard

Secretary

G Howard

Registered Office

Unit 11
Acorn Business Park
Killingbeck Drive
Leeds
LS14 6UF

Company Number

04656708

Statutory Auditor

Brown Butler
Chartered Accountants
Leigh House
28-32 St Paul's Street
Leeds
West Yorkshire
LS1 2JT

Bankers

Barclays Bank Plc
2-12 Pinstone Street
Sheffield
S1 2HN

The directors present their annual report and the audited financial statements for the year ended 31 July 2015.

Principal activity

The principal activity of the company is that of civil engineers.

Directors' responsibilities

The directors are responsible for preparing 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 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

Directors

The directors who held office during the year were as follows:

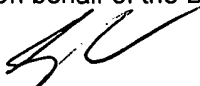
M T Howard

G D Howard

Audit enquiries

So far as the directors are aware, there is no information relevant to the audit of which the company's auditors are unaware. The directors have taken the necessary steps to ensure that they themselves are aware of all relevant audit information and made sure that the company's auditors are also aware of that information.

On behalf of the Board



G D Howard

Director

12 April 2016

Business Review

We are pleased to report record revenue levels for the year. The decision to reduce turnover and implement operational procedures in the previous year has proved fruitful in terms of both revenue and profitability.

Similarly the strategy of diversification into the highways and reinforced concrete structure sectors has proved both challenging and rewarding, and has demonstrated the business's ability to deliver even more complex and diverse projects than ever before.

We have been involved in some prestigious projects including the Victoria gate development in the heart of Leeds city centre, the Salford lift bridge, and the new A1M Leeming to Barton motorway to name but a few which represent new sectors and feats of civil engineering that we were proud to deliver.

As a board we are looking to capitalise on this success and achieve sustainable growth for the business. We are aware we operate in an extremely competitive industry which constantly looks to innovate and develop new ideas and processes. As a board we continue to be flexible and open minded to these developments so we are able to take advantage of opportunities as they arise.

We have an overriding confidence in our team and their ability to deliver our clients needs while retaining a competitive edge.

The company's primary objective is to be the first choice contractor for civil engineering contracts within Yorkshire and Humberside.

We are aware that Howard Civil Engineering Limited is dependent upon relationships with third parties, our clients are vital to our continued success and we strive to build on the strong relationships forged. We are pleased to call the likes of BAM, Caddick and Henry Boot as key clients, with typical end users being multinational organisations or the government and public sector.

Our business is also dependent upon our ability to attract and retain key personnel. We consider the development of our senior management team to be central to our on-going business plan and a driver of future growth.

We are pleased to confirm that the board has been further strengthened by the additions of John Cartwright our Commercial Manager and Peter Howard our Pre-Contracts Manager. This gives us an even stronger team to continue the good work achieved to date.

Financial key performance indicators

The company's key financial and other performance indicators during the year were as follows:

KPI	Progress
Revenue	Revenue has increased by £3.2m in the year to 31 July 2015 from £12.3m in the year to 31 July 2014.
Margin	Gross Profit margin was 6.4% in the year to 31 July 2015 compared to 4.8% in the prior year.
Cash management	The company manages its capital to ensure that it is able to continue as a going concern while minimising costs and liquidity risk. As at 31 July 2015, the company had cash and cash equivalents of £0.83 million (2014: £0.48 million). This is sufficient for the ongoing working capital requirements of the company.

Principal risks and uncertainties

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

The existence of these financial instruments exposes the company to a number of financial risks. These are in the main liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by the use of bank facilities and loans, and to invest cash assets safely and profitably.

Credit risk

The company's debtors relate to amounts owed by UK Corporates and Local Authorities. Given the size and stability of the core debtors, the directors do not believe that credit risk to the company is significant. However, the directors monitor any default credit risk on an ongoing basis.

In addition the company is exposed to the following additional risks

Price risk

We operate in a highly competitive industry and face competition both locally and nationally. We monitor our competition and look for ways to gain competitive advantage. The company seeks to manage price risk by using the latest software to assist in continuous monitoring of market pricing and through profitability analysis ahead of entering into any significant contracts. This data is used to measure project performance is being delivered inline with our tender.

Operational risk

Health and safety represents our biggest operational risk, the directors are continually monitoring procedures, overseen by Andrew Rafton a member of our senior management team. Individual sites are consistently measured on the procedures they follow. The company also have independent monthly audits on health and safety and quality assurance on every site. As we have an ISO 18001 certification our health and safety processes and compliance is audited annually.

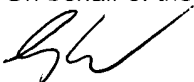
Future developments

We remain ambitious to growth and diversification and to support this we have recruited Lucy Jones as Pre-Contracts Manager to specifically develop opportunities directly with end users and residential developers in light of the sharp upturn of work in this area.

The company will further develop its contract business by strengthening its relationship with existing customers and pro-actively generating new opportunities via targeted sales and marketing activity.

The directors intend to continue to focus on providing quality service and finished product to its customers and maintaining its excellent health and safety record.

On behalf of the Board



G D Howard
Director

12 April 2016

We have audited the financial statements of Howard Civil Engineering Limited for the year ended 31 July 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 July 2015 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 matters prescribed by the Companies Act 2006

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

Continued on next page

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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.



Denis Cross (Senior Statutory Auditor)
For and on behalf of Brown Butler,
Chartered Accountants and Statutory Auditor
Leigh House
28-32 St Paul's Street
Leeds
West Yorkshire
LS1 2JT

12th April 2016

Howard Civil Engineering Limited
Profit and Loss Account
Year ended 31 July 2015

	Note	2015 £	2014 £
Turnover		15,528,892	12,277,084
Cost of sales		<u>(14,528,806)</u>	<u>(11,684,901)</u>
Gross profit		1,000,086	592,183
Administrative expenses		(706,136)	(429,508)
Other operating income	2	<u>22,052</u>	<u>-</u>
Operating profit	3	316,002	162,675
Other exceptional items		(95,000)	-
Other interest receivable and similar income		3,091	-
Interest payable and similar charges		<u>(11,046)</u>	<u>(3,625)</u>
Profit on ordinary activities before taxation		213,047	159,050
Tax on profit on ordinary activities	6	<u>(68,413)</u>	<u>(39,535)</u>
Profit for the financial year	15	<u><u>144,634</u></u>	<u><u>119,515</u></u>

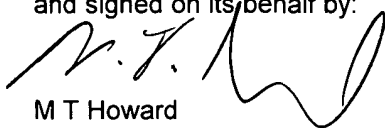
The above results derive from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Howard Civil Engineering Limited
Company Registration Number: 04656708
Balance Sheet
31 July 2015

		2015 £	2014 £
	Note		
Fixed assets			
Tangible fixed assets	7	543,675	-
Investments	8	295,000	390,000
		<u>838,675</u>	<u>390,000</u>
Current assets			
Debtors	9	2,787,870	2,416,267
Cash at bank and in hand		827,116	483,797
		<u>3,614,986</u>	<u>2,900,064</u>
Creditors: Amounts falling due within one year	10	<u>(3,117,378)</u>	<u>(2,249,142)</u>
Net current assets		<u>497,608</u>	<u>650,922</u>
Total assets less current liabilities		1,336,283	1,040,922
Creditors: Amounts falling due after more than one year	11	(302,105)	-
Provisions for liabilities	13	<u>(26,310)</u>	<u>-</u>
Net assets		<u>1,007,868</u>	<u>1,040,922</u>
Capital and reserves			
Called up share capital	14	200	200
Profit and loss account	15	<u>1,007,668</u>	<u>1,040,722</u>
Shareholders' funds	16	<u>1,007,868</u>	<u>1,040,922</u>

These financial statements were approved and authorised for issue by the board on 12 April 2016 and signed on its behalf by:


M T Howard
Director

Howard Civil Engineering Limited
Cash Flow Statement
Year ended 31 July 2015

	Note	2015 £	2014 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		316,002	162,675
Depreciation, amortisation and impairment charges		20,728	57
Profit on disposal of fixed assets		-	(13,820)
Decrease in stocks		-	4,610
(Increase)/decrease in debtors		(343,929)	356,628
Increase/(decrease) in creditors		752,694	(1,242,221)
Receipt/release of government grants		(2,000)	-
Net cash inflow/(outflow) from operating activities		743,495	(732,071)
Returns on investments and servicing of finance			
Interest received		3,091	-
Hire purchase interest		(2,622)	-
Interest paid		(8,424)	(3,625)
		(7,955)	(3,625)
Taxation paid		(100,458)	(75,000)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(418,403)	-
Sale of tangible fixed assets		-	153,359
Receipts of government grants		80,000	-
		(338,403)	153,359
Acquisitions and disposals			
Acquisition of investments in associates and joint ventures		-	(220,000)
Equity dividends paid		(177,688)	(56,250)
Net cash inflow/(outflow) before management of liquid resources and financing		118,991	(933,587)
Financing			
Value of new loans obtained during the period		280,000	-
Repayment of loans and borrowings		(15,822)	-
Repayment of capital element of hire purchase contracts		(39,850)	-
		224,328	-
Increase/(decrease) in cash	18	343,319	(933,587)

The notes on pages 12 to 20 form part of these financial statements

Howard Civil Engineering Limited
Cash Flow Statement
Year ended 31 July 2015

Reconciliation of net cash flow to movement in net funds

	Note	2015 £	2014 £
Increase/(decrease) in cash		343,319	(933,587)
Cash inflow from increase in loans		(280,000)	-
Cash outflow from repayment of loans		15,822	-
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		39,850	-
Change in net funds resulting from cash flows	18	118,991	(933,587)
New hire purchase contracts		(146,000)	-
Movement in net funds	18	(27,009)	(933,587)
Net funds at 1 August 2014	18	483,797	1,417,384
Net funds at 31 July 2015	18	456,788	483,797

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The financial statements have been prepared on a going concern basis. In the opinion of the directors, the company has sufficient financial resources to trade at its forecast level of business activity for the foreseeable future.

Turnover

Turnover represents revenue receivable for goods and services provided during the year, net of value added tax.

Revenue is recognised as contract activity progresses in relation to contracted obligations that are performed gradually over time. Uncompleted contracts at the balance sheet date are brought into account by reference to the fair value of the work performed at that date and are described in the financial statements as amounts recoverable on contracts within current assets.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Land	No depreciation is provided on land
Buildings	5% straight line
Plant and machinery	15% reducing balance

Fixed asset investments

These accounts include the company's share of the profit and losses and net assets of its interest in HCE Consultancy LLP using the gross equity method of accounting.

Fixed asset investments are stated at cost less provision for permanent diminution in value.

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised when assets are revalued unless, by the balance sheet date, the company has entered into a binding agreement to sell the assets and recognised the gains or losses expected to arise on sale.

Hire purchase and leasing

Operating lease rentals are charged to the profit and loss account as incurred

Fixed assets acquired under hire purchase contracts are included in the balance sheet at cost and an appropriate provision is made for depreciation.

The outstanding liabilities under such agreements less interest not yet due are included in creditors.

Pensions

The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

2 Other operating income

	2015 £	2014 £
Rent receivable	20,052	-
Government grants receivable	2,000	-
	<u>22,052</u>	<u>-</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of owned assets	6,278	57
Depreciation of assets held under hire purchase contracts	14,450	-
Profit on disposal of tangible fixed assets	-	(13,820)
Operating lease charges - land and buildings	27,815	16,702
Operating lease charges - other assets	9,174	-
Auditor's remuneration	10,810	11,075
Government grants receivable	(2,000)	-
Hire purchase interest	<u>2,622</u>	<u>-</u>

4 Exceptional items

	2015 £	2014 £
Amounts written off investments	<u>95,000</u>	<u>-</u>

5 Staff costs

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

	2015 No.	2014 No.
Administration and support	6	4
Production	15	12
	<u>21</u>	<u>16</u>

Employee costs, including directors, during the year:-

	2015 £	2014 £
Wages and salaries	501,888	413,404
Social security costs	46,900	39,737
Other pension costs	13,704	1,817
	<u>562,492</u>	<u>454,958</u>

Directors' remuneration:-

	2015 £	2014 £
Pension contributions	<u>10,000</u>	<u>-</u>

6 Taxation

Analysis of tax charge

	2015 £	2014 £
Current tax		
Corporation tax charge	42,103	35,142
Adjustments in respect of prior periods	-	4,393
UK Corporation tax	42,103	39,535
Deferred tax		
Origination and reversal of timing differences	26,310	-
Total tax on profit on ordinary activities	<u>68,413</u>	<u>39,535</u>

The corporation tax charge on ordinary activities for the year is lower than (2014 - higher than) the standard rate of corporation tax in the UK of 20.67% (2014 - 22.33%).

The differences are reconciled below:

	2015 £	2014 £
Profit on ordinary activities before taxation	<u>213,047</u>	<u>159,050</u>
Corporation tax at the standard rate	44,037	35,516
Difference between capital allowances and depreciation	(25,902)	(2,323)
Expenses not deductible for tax purposes	24,457	3,895
Adjustment for prior periods	-	4,393
Marginal relief	(489)	(1,946)
Total current tax	<u>42,103</u>	<u>39,535</u>

7 Tangible fixed assets

	Freehold property £	Plant and machinery £	Total £
Cost			
Additions	<u>418,403</u>	<u>146,000</u>	<u>564,403</u>
At 31 July 2015	<u>418,403</u>	<u>146,000</u>	<u>564,403</u>
Depreciation			
Charge for the year	<u>6,278</u>	<u>14,450</u>	<u>20,728</u>
At 31 July 2015	<u>6,278</u>	<u>14,450</u>	<u>20,728</u>
Net book value			
At 31 July 2015	<u>412,125</u>	<u>131,550</u>	<u>543,675</u>

Hire purchase agreements

Included within the total net book value of tangible fixed assets is £131,550 (2014 - £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £14,450 (2014 - £nil).

8 Investments held as fixed assets

	2015 £	2014 £
Investment in associated undertakings	<u>295,000</u>	<u>390,000</u>
Investment in associated undertakings		
	Joints ventures and associates £	Total £
Cost		
At 1 August 2014	390,000	390,000
Diminution in value	<u>(95,000)</u>	<u>(95,000)</u>
At 31 July 2015	<u>295,000</u>	<u>295,000</u>
Net book value		
At 31 July 2015	<u>295,000</u>	<u>295,000</u>
At 31 July 2014	<u>390,000</u>	<u>390,000</u>

Details of undertakings

In the opinion of the directors, the aggregate value of the company's investments in the associated undertaking is not less than the amount included in the balance sheet.

Undertaking	Holding	Principal activity
HCE Consultancy LLP	Designated member	Consultancy services

The financial period end of HCE Consultancy LLP is 31 August.

9 Debtors

	2015 £	2014 £
Trade debtors	588,379	533,504
Amounts recoverable on contracts	1,895,964	1,629,925
Other debtors	288,925	225,818
Director's loan account	-	16,379
Prepayments	<u>14,602</u>	<u>10,641</u>
	<u>2,787,870</u>	<u>2,416,267</u>

10 Creditors: Amounts falling due within one year

	2015 £	2014 £
Bank loans	24,423	-
Obligations under hire purchase contracts	43,800	-
Trade creditors	2,506,889	1,709,329
Corporation tax	42,387	100,742
Social security and other taxes	268,917	330,732
Other creditors	127,684	92,620
Director's loan account	60	-
Accruals	103,218	15,719
	<u>3,117,378</u>	<u>2,249,142</u>

11 Creditors: Amounts falling due after more than one year

	2015 £	2014 £
Bank loans	239,755	-
Obligations under hire purchase contracts	62,350	-
	<u>302,105</u>	<u>-</u>

Hire purchase creditors are secured on the assets to which they relate and are payable within five years from the balance sheet date.

12 Loans

Bank loans are as follows

	2015 £	2014 £
Repayable by instalments		
Barclays business loan	<u>264,178</u>	<u>-</u>
	<u>264,178</u>	<u>-</u>
Analysis of loan instalments		
Due within one year	24,423	-
Due between two and five years	<u>239,755</u>	<u>-</u>
	<u>264,178</u>	<u>-</u>

The bank loan is secured by a fixed charge held over the property owned at Limewood Approach, Leeds, LS14 1NF.

Interest is charged at base rate + 2.95%. The loan is repayable in monthly instalments of £2,761 commencing December 2014 with the balance payable November 2019.

13 Provisions

	Deferred tax £	Total £
Charged to the profit and loss account	26,310	26,310
At 31 July 2015	<u>26,310</u>	<u>26,310</u>
Analysis of deferred tax		
	2015 £	2014 £
Capital allowances in excess of depreciation	26,310	-
	<u>26,310</u>	<u>-</u>

14 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
Ordinary shares of £1 each	-	-	200	200
'A' Ordinary shares of £1 each	120	120	-	-
'B' Ordinary shares of £1 each	20	20	-	-
'C' Ordinary shares of £1 each	20	20	-	-
'D' Ordinary shares of £1 each	20	20	-	-
'E' Ordinary shares of £1 each	20	20	-	-
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

The Ordinary shares were reclassified as 'A', 'B', 'C', 'D' and 'E' Ordinary shares on the 16 February 2015.

All shares rank pari passu in all respects, except that dividends may be declared at variable rates on the different class of share.

15 Reserves

	Profit and loss account £	Total £
At 1 August 2014	1,040,722	1,040,722
Profit for the financial year	144,634	144,634
Dividends	(177,688)	(177,688)
At 31 July 2015	<u>1,007,668</u>	<u>1,007,668</u>

16 Reconciliation of movement in shareholders' funds

	2015 £	2014 £
Profit for the financial year	144,634	119,515
Dividends	(177,688)	(56,250)
Net (reduction)/addition to shareholders' funds	(33,054)	63,265
Opening shareholders' funds	1,040,922	977,657
Closing shareholders' funds	1,007,868	1,040,922

17 Commitments

Operating lease commitments

As at 31 July 2015 the company had annual commitments under non-cancellable operating leases as follows:
Operating leases which expire:

	2015 £	2014 £
Land and buildings Over five years	20,400	20,400
Other Within two and five years	6,988	-

18 Analysis of net funds

	At 1 August 2014 £	Cash flow £	Other non-cash changes £	At 31 July 2015 £
Cash at bank and in hand	483,797	343,319	-	827,116
Debt due within one year	-	(24,423)	-	(24,423)
Debt due after more than one year	-	(239,755)	-	(239,755)
Finance leases and hire purchase contracts	-	39,850	(146,000)	(106,150)
Net funds	483,797	118,991	(146,000)	456,788

19 Related party transactions

Howard Plant Hire (Leeds) Limited, is a company under common control. During the year the company hired plant and machinery from Howard Plant Hire (Leeds) Limited totalling £1,090,507 (2014: £953,508). At the balance sheet date the amount due to Howard Plant Hire (Leeds) Limited was £111,146 (2014 - £83,473).

Erris Homes (Barnsley) Limited, is a company under common control. During the year the company has provided inter-company loans to Erris Homes (Barnsley) Limited. At the balance sheet date the amount due from Erris Homes (Barnsley) Limited was £271,268 (2014 - £205,593).

During the year dividends totalling £123,350 (2014: £45,000) were paid to the directors of the company.

20 Controlling party

The company is controlled by Mr M Howard by virtue of his interest in the majority of the issued share capital of the company.