

Financial Statements

C.L.C. Contractors Limited

For the Year Ended 31 December 2015

Registered number: 1230435

C.L.C. Contractors Limited
Registered number:1230435

Company Information

Directors	P B T Armitage P I Armitage R S Armitage P J Drury (resigned 4 June 2015) N A Hilton T Marris A J McDonald C P Pritchard M J Taylor P Beattie D A Redman (appointed 13 April 2015)
Company secretary	R S Armitage
Registered number	1230435
Registered office	Unit 2 Northbrook Industrial Estate Vincent Avenue Southampton SO16 6PQ

C.L.C. Contractors Limited
Registered number:1230435

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C.L.C. Contractors Limited
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Strategic Report

For the year ended 31 December 2015

Introduction

Who we are

C.L.C. Contractors Limited is a successful business engaged in property and asset maintenance with a commitment to providing our clients with a high quality, reliable and safe service.

Since our early days as specialist painting contractors, we have grown into one of the country's leading property and asset maintenance companies, with a skilled and experienced workforce of over 900 employees based from 15 branch offices throughout the UK.

What we do

In short, we help our clients transform and maintain their buildings, homes or infrastructure. We work for a significant number of clients across a variety of business sectors providing the following services:

- Planned maintenance
- Cyclical painting & decorating
- Refurbishment works
- Small building works
- Equality compliance adaptations (DDA)
- Fire protection repairs & upgrades
- Electrical installation & maintenance
- Roof upgrades & repairs

What makes us different

We believe that what makes us different to our competitors is our people, our values and our commitments.

Our People

Our workforce largely consists of directly employed tradespeople from the local areas in which we operate. We believe that investing in a directly employed team and providing them with training and progression opportunities leads to committed tradespeople with a passion for what they do.

Our Directors are personally responsible for the successful delivery of each and every contract. With Directors spread throughout our branches; our staff, supply chain and most importantly our clients can walk into a Branch and speak directly to a member of the Board.

We are a national contractor with a management structure in each Branch, allowing us to be "small enough to care, but big enough to cope".

Our Values

- **Delight our Customers:** By exceeding our client expectations we aim to create long standing relationships with our customers.
- **Deliver on our commitments:** We do what we say we will, for our customers, staff and suppliers.
- **Dare to change:** Our culture is based on continuous improvement and we are always seeking ways in which we can enhance service delivery.
- **Develop our people:** We believe success comes from motivating people and maximising their potential.

Strategic Report (Continued)

For the year ended 31 December 2015

- Drive for results: Through empowering our staff and working in partnership with our supply chain and clients, we can work together to ensure an excellent service and value for money is achieved.

Our Commitments

- To our clients: We do and will continue to provide our clients with a high quality service, building a strong relationship based on mutual trust and honesty
- To our people: We do and will continue to provide our staff with training and development opportunities to allow them to maximise their potential
- To our supply chain: We do and will continue to encourage long lasting relationships with our suppliers based on openness, fair payment and offers of repeat business
- To our communities: We do and will continue to contribute socially and economically to the local community through community initiatives, employment prospects and training opportunities.

Business review

The last twelve months have been eventful for the Company with a continuing period of high activity and an acquisition of the Group by Hilbre Holdings Limited. This acquisition enabled a significant number of key branch managers and directors of the Company to take an equity stake in our holding company, Hilbre Holdings Limited. This further motivates our branch management team and therefore places the Company in a strong position going forward. It additionally secures their involvement in the business in the medium to long term.

Turnover for the year increased by 19.7% to £121.2 million (2014: £101.3 million) and despite the continuing competitive forces within our market we achieved gross margin of 17.64%. Due to the increased activity levels and strong cost control, operating profit increased by 26.2% to £8.5 million (2014: £6.7 million).

Heightened activity in the year has been facilitated by growth within our existing customer base together with the gaining of contracts from new customers and markets. Additionally, revenue has been further enhanced by a full year's results from our Leeds and Reactive Maintenance divisions which commenced operations part way through 2014.

Whilst we continue to benefit from significant levels of business from our key clients, we continually strive to diversify our client base and regularly review potential additional services that the Company can offer to our loyal customers. This ensures that we are not overly dependent on any one customer or any one business activity.

Our forward workload remains strong in 2016 and the Board is confident that we will be able to maintain activity levels through the coming year.

Strategic Report (continued)

For the Year Ended 31 December 2015

Principal risks and uncertainties

The Company uses various financial instruments. These include loans, cash, and various 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 group to a number of financial risks, which are described in more detail below.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years. The Company is not exposed to significant translation and transaction foreign exchange risk.

Credit risk

The Company's principal financial assets are work in progress and trade debtors. The principal credit risk arises therefore from its work in progress and trade debtors. Over 50% of the work is carried out for public sector or quasi public sector organisations which pose little or no risk.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Budgets and forecasts are prepared and updated and the arrangement of sufficient banking facilities are managed to meet the needs of the group on an annual basis.

Interest rate risk

The Company finances its operations through a mixture of retained profits, bank borrowings and hire purchase/finance lease arrangements. The Company's exposure to interest rate fluctuations on its borrowings is therefore managed by the use of both fixed and floating facilities thereby limiting interest rate risk.

Financial key performance indicators

We monitor the business using a number of financial Key Performance Indicators including:

Activity levels

These are reviewed by the Board and the Branch management team on a monthly basis and our forward workload is monitored closely to ensure that budgeted revenue is achieved. Through this review any shortfalls in individual Branch revenue can be identified in advance and rectified through a focus on alternative works and through the increased focus on such Branches by our business development managers.

This focus on maintaining and gaining revenue and market share has allowed us to increase our turnover from £101.3 million in 2014 to £121.2 million in 2015.

Operating margins

Again, these are reviewed on a monthly basis at a contract, branch and entity level to identify areas of underperformance. This enables the management team to not only identify issues on a timely basis but also to devise and implement recovery plans swiftly.

This control over our operating margins has enabled the Company to maintain gross margins at 17.64% in 2015 (2014: 17.65%)

Strategic Report (continued)

For the Year Ended 31 December 2015

Working capital levels

Close review of debtors and work in progress is critical to the financial health of the company and, as such, we review these on a monthly basis. Working capital targets are given to Branch managers and our bonus system reflects whether such targets have been met.

Strong working capital management is therefore very much part of our culture and control environment and this is reflected in our pleasing working capital ratios.

On average debtors pay us within 28.7 days (2014: 28.0 days) and we maintain approximately half a month's turnover as work in progress.

Other key performance indicators

In addition to the financial KPIs, we also monitor the business through a number of non-financial Key Performance Indicators, including:

Customer satisfaction

The Company conducts surveys of customer satisfaction of completed contracts and longer term ongoing contracts to ensure that we are maintaining our high levels of client satisfaction. We take customer satisfaction extremely seriously and our aim is to exceed client expectations at all times.

Customer satisfaction KPIs are reviewed each month at Board level and action is taken where shortfalls in our performance are identified. Board involvement in this process helps to reinforce our client focussed culture.

We are delighted with our customer feedback:

- 98.15% overall customer satisfaction
 - 93.39% of works completed on time
 - 98.15% of projects completed in accordance with original quote
 - 97% of projects defect free at handover
- (1 January 2015 – 31 December 2015)

Health & Safety

The Company monitors incidents and accidents with a sharp focus on accident prevention and maintaining the safety of our staff, clients and the general public. We provide "tool box talks" for our operatives each month on such areas as Working at Height, Slips Trips and Asbestos awareness. The Board and Branch management reviews attendance at these training sessions to ensure that all operatives are appropriately trained.

Additionally, our Health & Safety Team reports on accident statistics each month and this is closely reviewed by the Board.

Our Incident rate (RIDDOR reportable incidents per 100,000 workers) was 620 in 2015 compared to the Construction Industry average incident rate per 100,000 workers of 3,080 (HSE 2014/2015).

Motor Vehicle Fleet Initiatives

During 2013 we introduced tracker and driver management systems to all company vehicles with the objective of reducing accidents by modifying behaviour; this has continued to show pleasing results in 2015 in driver behaviour and accident levels.

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Strategic Report (continued)

For the Year Ended 31 December 2015

Apprentices

We believe that our success comes from having motivated, trained and experienced people. We also believe that we have a social responsibility to provide employment opportunities to those within the communities that we operate.

We train and support individuals in gaining NVQ2 and NVQ3 qualifications in a variety of trades: from painting and decorating to plumbing and carpentry. As such, we set targets, based on turnover, for each Branch to recruit apprentices. Actual apprentice numbers are then compared against these targets by the Board each month. At the end of 2015, we had 50 apprentices across our Branches and are working hard to achieve our target of 84 apprentices.

This report was approved by the board on 9 June 2016 and signed on its behalf.



P I Armitage
Director

Directors' Report

For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year, after taxation, amounted to £6,795,549 (2014 - £5,292,261).

Dividends of £2,700,000 (2014 £Nil) have been paid to the intermediate parent Company.

Directors

The directors who served during the year were:

P B T Armitage
P I Armitage
R S Armitage
P J Drury (resigned 4 June 2015)
N A Hilton
T Marris
A J McDonald
C P Pritchard
M J Taylor
P Beattie
D A Redman (appointed 13 April 2015)

Future developments

We have delivered a strong performance in 2015 and we expect to make further progress next year.

We continue to review both the markets that we operate in, and the services that we provide, to identify any potential further growth areas for the business.

Our forward workload is substantial and allows us to look forward with confidence.

Financial instruments

The Company uses various financial instruments. These include loans, cash, and various 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, which are described in more detail in the strategic report.

Employee involvement

Appropriate action has been taken to develop arrangements aimed at providing the Company's employees with information on matters of concern to them; consulting with employees or their representatives; encouraging their involvement in the Company's performance; and achieving an awareness on the part of employees of financial and economic factors affecting the Company's performance.

Disabled employees

The directors give special attention to the health and safety of their employees. If an employee becomes disabled whilst employed by the Company then whenever possible that person will be employed in the same job. If this is not possible then every effort will be made to find suitable alternative employment. If retraining is necessary this will be provided using Company resources and the facilities offered by the facilities offered by the Government retraining centres.

Directors' Report

For the Year Ended 31 December 2015

Matters covered in the strategic report

The business review is shown in the strategic report.

Disclosure of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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 auditor is aware of that information.

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 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 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; 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.

C.L.C. Contractors Limited

Directors' Report

For the Year Ended 31 December 2015

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 June 2016 and signed on its behalf.



P I Armitage
Director

Independent Auditor's Report to the Members of CLC Contractors Limited

We have audited the financial statements of C.L.C. Contractors Limited for the year ended 31 December 2015, which comprise the Statement of Income and Retained Earnings, the Balance Sheet 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 auditor

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. 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

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 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 matter prescribed by the Companies Act 2006

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



Independent Auditor's Report to the Members of CLC Contractors Limited

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.

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

Norman Armstrong (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Southampton

Date: 9 June 2016

Statement of Income and Retained Earnings

For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover		121,214,861	101,251,403
Cost of sales		<u>(99,827,687)</u>	<u>(83,375,543)</u>
Gross profit		21,387,174	17,875,860
Administrative expenses		<u>(12,880,911)</u>	<u>(11,136,531)</u>
Operating profit		8,506,263	6,739,329
Tax on profit	7	<u>(1,710,714)</u>	<u>(1,447,068)</u>
Profit after tax		<u><u>6,795,549</u></u>	<u><u>5,292,261</u></u>
Retained earnings at the beginning of the year		<u>25,266,163</u>	<u>19,973,902</u>
		25,266,163	19,973,902
Profit for the year		6,795,549	5,292,261
Dividends declared and paid		<u>(2,700,000)</u>	<u>-</u>
Retained earnings at the end of the year		<u><u>29,361,712</u></u>	<u><u>25,266,163</u></u>

The notes on pages 13 to 22 form part of these financial statements.

Balance Sheet

As at 31 December 2015

	Note	2015 £	2014 £
Current assets			
Stocks	9	117,049	39,155
Debtors: amounts falling due within one year	10	33,927,699	27,357,813
Cash at bank and in hand	11	7,874,785	7,354,927
		<u>41,919,533</u>	<u>34,751,895</u>
Creditors: amounts falling due within one year	12	(12,556,821)	(9,484,732)
Net current assets		<u>29,362,712</u>	<u>25,267,163</u>
Total assets less current liabilities		<u>29,362,712</u>	<u>25,267,163</u>
Net assets		<u><u>29,362,712</u></u>	<u><u>25,267,163</u></u>
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	13	29,361,712	25,266,163
		<u>29,362,712</u>	<u>25,267,163</u>

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

9 June 2016



P I Armitage
Director

The notes on pages 13 to 22 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 19.

The financial statements are presented in Sterling (£).

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 2).

The principal activity of the Company during the year was that of painting and building maintenance contractors.

The following principal accounting policies have been applied:

1.2 Going concern

The Company continues to be profitable and has a strong net asset position. The directors prepare annual forecasts which show the Company to continue to meet liabilities when they fall due. The directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

1.3 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:

Long term contracts

Long term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. Provision is made for any losses that are foreseen.

Amounts recoverable on contracts

Amounts recoverable on contracts are included in debtors and represent the value of work done in excess of amounts invoiced to the customer.

Payments on account

Payments on account are included in creditors and represent amounts receivable from the customer in excess of the Company's valuation of work done.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.4 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.5 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.

1.6 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.7 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.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.8 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 accounts receivable and payable, 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 payables or receivables, 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:

- i) at fair value with changes recognised in the Profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) 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 Profit and loss account.

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, 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.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.9 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.

1.10 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.

1.11 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 payments obligations.

The contributions are recognised as an expense in the Profit and loss account 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.

1.12 Taxation

Tax is recognised in the Profit and loss account, except that a change 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.

Notes to the Financial Statements

For the Year Ended 31 December 2015

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

In the process of applying the Company's accounting policies, which are described in Note 1 above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Revenue Recognition

Revenue is recognised for certain long term contracts based on the level of completion of the contract activity. This is ascertained by undertaking a valuation of the works carried out on a contract by contract basis. Particular judgement is required in evaluating the level of revenue completed by the year end. However, management carefully considers the accuracy of these valuations by reviewing the recoverability of work in progress balances by reference to the post balance sheet event period.

3. Analysis of turnover

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2015	2014
	£	£
Defined contribution pension cost	457,035	507,990

Operating leases are in the name of C.L.C. Administration Limited which recharges the costs. Commitments under operating leases are disclosed in the parent Company's financial statements.

Fees paid to the Company's auditor for the statutory audit of the Company are charged to the parent Company C.L.C. Administration Limited. The cost of the Company audit is included within an administration charge. Fees paid to the Company's auditor for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the parent Company CLC Group Limited are required to disclose non-audit fees on a consolidated basis.

Notes to the Financial Statements

For the Year Ended 31 December 2015

5. Employees

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

	2015 £	2014 £
Wages and salaries	25,448,581	22,123,272
Social security costs	2,627,482	2,324,087
Cost of defined contribution scheme	457,035	507,990
	<u>28,533,098</u>	<u>24,955,349</u>

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

	2015 No.	2014 No.
Production	881	752
Administration	61	50
Management	15	16
	<u>957</u>	<u>818</u>

6. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	169,110	637,733
Company contributions to defined contribution pension schemes	18,129	66,733
	<u>187,239</u>	<u>704,466</u>

During the year retirement benefits were accruing to 6 directors (2014 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £84,228 (2014 - £119,528).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2014 - £19,963).

During the year, the employment of a number of directors was moved to another Group Company, Hilbre Holdings Limited. Hilbre Holdings Limited subsequently became the Holding Company of the Group on 29 April 2015. As such, these directors now receive remuneration from Hilbre Holdings Limited instead of CLC Contractors Limited.

Notes to the Financial Statements

For the Year Ended 31 December 2015

7. Taxation

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	1,696,849	1,460,934
Adjustments in respect of previous periods	13,865	(13,866)
	<u>1,710,714</u>	<u>1,447,068</u>
Taxation on profit on ordinary activities	<u>1,710,714</u>	<u>1,447,068</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	8,506,263	6,739,329
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	1,722,518	1,448,282
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	22,525	21,359
Adjustments to tax charge in respect of prior periods	13,865	(13,866)
Other permanent differences leading to an increase (decrease) in taxation	-	(8,920)
Other timing differences leading to an increase (decrease) in taxation	43,059	213
Group relief	(91,253)	-
Total tax charge for the year	<u>1,710,714</u>	<u>1,447,068</u>

8. Dividends

	2015 £	2014 £
Dividends paid on ordinary share capital	2,700,000	-
	<u>2,700,000</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

9. Stocks

	2015 £	2014 £
Raw materials and consumables	117,049	39,155
	<u>117,049</u>	<u>39,155</u>

Stock recognised in cost of sales during the year as an expense was £49,256 (2014: £68,088).

10. Debtors

	2015 £	2014 £
Trade debtors	11,422,755	9,338,946
Amounts owed by group undertakings	16,014,113	11,584,177
Other debtors	13,925	13,625
Prepayments and accrued income	65,840	48,289
Amounts recoverable on long term contracts	6,411,066	6,372,776
	<u>33,927,699</u>	<u>27,357,813</u>

11. Cash and cash equivalents

	2015 £	2014 £
Cash at bank and in hand	7,874,785	7,354,927
	<u>7,874,785</u>	<u>7,354,927</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

12. Creditors: Amounts falling due within one year

	2015	2014
	£	£
Payments received on account	1,231,011	980,045
Trade creditors	6,491,940	4,470,748
Corporation tax	850,714	593,949
Taxation and social security	59,485	50,067
Other creditors	482,750	304,046
Accruals and deferred income	3,440,921	3,085,877
	<u>12,556,821</u>	<u>9,484,732</u>

13. Reserves

Profit & loss account

Includes all current and prior period retained profits and losses.

14. Share capital

	2015	2014
	£	£
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

15. Contingent liabilities

The Company has, in the ordinary course of business, given guarantees to its bankers in respect of fellow group companies. Similarly, fellow group companies have given guarantees to third parties in respect of this Company.

The Group enters into long term contracts in the normal course of business. These contracts have been reviewed and provision had been made for the Director's best estimate of known legal claims.

16. Pension commitments

The Company is a member of two group defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The pension charge represents contributions payable by the Company to the fund and amounted to £438,906 (2014: £507,990). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the Financial Statements

For the Year Ended 31 December 2015

17. Related party transactions

The Company is exempt under FRS 102 from disclosing any transactions or balances with other members of the group headed by Hilbre Holdings Limited, whose consolidated financial statements are publically available at Companies House.

18. Controlling party

The immediate parent undertaking of the Company is C.L.C. Administration Limited, which is wholly owned by CLC Group Limited for which group accounts have been prepared. Copies of these accounts are publically available at Companies House.

The Directors regard the Ultimate Controlling Party as being the Armitage Trust, a Discretionary Trust based in Jersey. The shares in Hilbre Holdings Limited held by Grantley Limited are held as nominee for MPC International Inc a company of which the beneficial owner is the Armitage Trust. There is no day to day involvement in the business by any of the entities referred to above, the shareholding being held purely as an investment. None of the entities above should be regarded as a parent or Holding Company of Hilbre Holdings Limited.

19. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

Financial Statements

C.L.C. Contractors Limited

For the Year Ended 31 December 2016

Registered number: 1230435

Company Information

Directors	P I Armitage R S Armitage M S Hilton (appointed 15 June 2016) N A Hilton T Marris A J McDonald C P Pritchard M J Taylor P Beattie D A Redman (resigned 15 June 2016) S Reeve (appointed 30 November 2016) J Ryder (appointed 15 June 2016) I P Carter (appointed 10 August 2016, resigned 7 September 2016)
Company secretary	R S Armitage
Registered number	1230435
Registered office	Unit 2 Northbrook Industrial Estate Vincent Avenue Southampton SO16 6PB
Independent auditor	Grant Thornton UK LLP Statutory Auditor & Chartered Accountants No 1 Dorset Street Southampton Hampshire SO15 2DP

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Strategic Report

For the Year Ended 31 December 2016

Introduction

Who we are

C.L.C. Contractors Limited is a successful business engaged in property and asset maintenance with a commitment to providing our clients with a high quality, reliable and safe service.

Since our early days as specialist painting contractors, we have grown into one of the country's leading property and asset maintenance companies, with a skilled and experienced workforce of over 900 employees based from 14 branch offices throughout the UK.

What we do

In short, we help our clients transform and maintain their buildings, homes or infrastructure. We work for a significant number of clients across a variety of business sectors providing the following services:

- Planned maintenance
- Cyclical painting & decorating
- Refurbishment works
- Small building works
- Equality compliance adaptations (DDA)
- Fire protection repairs & upgrades
- Electrical installation & maintenance
- Roof upgrades & repairs

What makes us different

We believe that what makes us different to our competitors is our people, our values and our commitments.

Our People

Our workforce largely consists of directly employed tradespeople from the local areas in which we operate. We believe that investing in a directly employed team and providing them with training and progression opportunities leads to committed tradespeople with a passion for what they do.

Our Directors are personally responsible for the successful delivery of each and every contract. With Directors spread throughout our branches; our staff, supply chain and most importantly our clients can walk into a Branch and speak directly to a member of the Board.

We are a national contractor with a management structure in each Branch, allowing us to be "small enough to care, but big enough to cope".

Our Values

- **Delight our Customers:** By exceeding our client expectations we aim to create long standing relationships with our customers.
- **Deliver on our commitments:** We do what we say we will, for our customers, staff and suppliers.
- **Dare to change:** Our culture is based on continuous improvement and we are always seeking ways in which we can enhance service delivery.
- **Develop our people:** We believe success comes from motivating people and maximising their potential.
- **Drive for results:** Through empowering our staff and working in partnership with our supply chain and clients, we can work together to ensure an excellent service and value for money is achieved.

Strategic Report

For the Year Ended 31 December 2016

Introduction (continued)

Our Commitments

- To our clients: We do and will continue to provide our clients with a high quality service, building a strong relationship based on mutual trust and honesty
- To our people: We do and will continue to provide our staff with training and development opportunities to allow them to maximise their potential
- To our supply chain: We do and will continue to encourage long lasting relationships with our suppliers based on openness, fair payment and offers of repeat business
- To our communities: We do and will continue to contribute socially and economically to the local community through community initiatives, employment prospects and training opportunities.

Business review

The company continued its strong growth in 2016, with turnover up by £7.2 million to £128 million (2015: £121 million), and operating profit up by £2.3 million to £10.8 million from £8.5 million in 2015.

The balance sheet continues to strengthen, and cash generation remains very good with debtor days down year on year despite increased turnover and cash up by £1.4 million from 2015.

We continue to win and deliver work in a very competitive market, continually seeking to improve our service delivery to our current clients and also seeking to expand our service delivery to prospective clients.

The forward workload remains strong in 2017 and the Board is confident that the business will achieve its targets in the coming year.

Strategic Report

For the Year Ended 31 December 2016

Principal risks and uncertainties

The Company uses various financial instruments. These include loans, cash, and various 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 group to a number of financial risks, which are described in more detail below.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years. The Company is not exposed to significant translation and transaction foreign exchange risk.

Credit risk

The Company's principal financial assets are work in progress and trade debtors. The principal credit risk arises therefore from its work in progress and trade debtors. Over 50% of the work is carried out for public sector or quasi public sector organisations which pose little or no risk.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Budgets and forecasts are prepared and updated and the arrangement of sufficient banking facilities are managed to meet the needs of the group on an annual basis.

Interest rate risk

The Company finances its operations through a mixture of retained profits, bank borrowings and hire purchase/finance lease arrangements. The Company's exposure to interest rate fluctuations on its borrowings is therefore managed by the use of both fixed and floating facilities thereby limiting interest rate risk.

Strategic Report

For the Year Ended 31 December 2016

Financial key performance indicators

We monitor the business using a number of key performance indicators including:

Activity levels

Workload is reviewed by the Board and the Branch management team on a monthly basis and tracked against annual budgeted revenue. Through this review any shortfalls in individual branch revenues can be identified in advance and rectified through a focus on alternative works and through the increased focus on such branches by our business development managers.

This focus on maintaining and increasing revenue and market share has allowed us to increase our turnover from £121 million in 2015 to £128 million in 2016.

Operating margins

Contract margins are reviewed on a monthly basis at a contract, branch and group level to identify areas of under-performance and possible improvement. This enables the management team to identify issues on a timely basis and implement rectification plans accordingly.

During 2016, margins have increased from 17.6% to 19.3%.

Working capital levels

Debtors and work in progress are reviewed and monitored each month. The management team identifies where improvements in operational performance can be made and how better cash collection can be achieved through this review process. Working capital management is a fundamental part of our business, and is integral to our reward and recognition processes.

Debtor days at year end were 27 days (2015: 29 days).

Strategic Report

For the Year Ended 31 December 2016

Other key performance indicators

In addition to the financial KPI's, we also monitor the business through a number of non-financial key performance indicators, including:

Customer Satisfaction

The Group conducts surveys of customer satisfaction of completed contracts and longer term ongoing contracts to ensure we are maintaining our high levels of client satisfaction. We take customer satisfaction extremely seriously and our aim is to exceed client expectations at all times.

Customer satisfaction KPI's are reviewed each month at Board level and action is taken where shortfalls in our performance are identified. Board involvement in this process helps to reinforce our client focused culture.

In the year to 31 December 2016 we achieved an overall customer satisfaction of 96%.

Health and Safety

The Group monitors incidents and accidents with a focus on accident prevention and maintaining safety of our staff, clients and the general public. We provide "tool box talks" for our operatives each month on such areas as Working at Height and Slips, Trips and Falls. The Board and branch management reviews attendance at these training sessions to ensure that all operatives are appropriately trained.

Additionally, our Health and Safety team reports on accident statistics each month and this is closely reviewed by the Board.

Our Incident Rate (RIDDOR reportable incidents per 100,000 workers) was 379 in 2016 (2015: 620).

Motor Vehicle Fleet Initiatives

Our driver management systems have been introduced to all company vehicles with the objective of reducing accidents by modifying behaviour; this has continued to show pleasing results in 2016 in driver behaviour and accident rates.

This report was approved by the board on 27/04/17. and signed on its behalf.



P I Armitage
Director

C.L.C. Contractors 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.

Results and dividends

The profit for the year, after taxation, amounted to £8,956,001 (2015 - £6,795,549).

Dividends of £5,500,000 (2015 - £2,700,000) have been paid to the intermediate parent Company.

Directors

The directors who served during the year were:

P I Armitage
R S Armitage
M S Hilton (appointed 15 June 2016)
N A Hilton
T Marris
A J McDonald
C P Pritchard
M J Taylor
P Beattie
D A Redman (resigned 15 June 2016)
S Reeve (appointed 30 November 2016)
J Ryder (appointed 15 June 2016)
I P Carter (appointed 10 August 2016, resigned 7 September 2016)

Future developments

We have delivered a strong performance in 2016 and we expect to make further progress next year.

We continue to review both the markets that we operate in, and the services that we provide, to identify any potential further growth areas for the business.

Our forward workload is substantial and allows us to look forward with confidence.

Financial instruments

The Company uses various financial instruments. These include loans, cash, and various 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, which are described in more detail in the strategic report.

Employee involvement

Appropriate action has been taken to develop arrangements aimed at providing the Company's employees with information on matters of concern to them; consulting with employees or their representatives; encouraging their involvement in the Company's performance; and achieving an awareness on the part of employees of financial and economic factors affecting the Company's performance.

Disabled employees

The directors give special attention to the health and safety of their employees. If an employee becomes disabled whilst employed by the Company then whenever possible that person will be employed in the same job. If this is not possible then every effort will be made to find suitable alternative employment. If retraining is necessary this will be provided using Company resources and the facilities offered by the Government retraining centres.

Directors' Report (continued)

For the Year Ended 31 December 2016

Matters covered in the strategic report

The business review and information regarding principal risks and uncertainties is shown in the strategic report.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

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 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.

C.L.C. Contractors Limited

Directors' Report (continued)

For the Year Ended 31 December 2016

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 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 27/04/17 and signed on its behalf.



P I Armitage
Director

Independent Auditor's Report to the Members of C.L.C. Contractors Limited

We have audited the financial statements of C.L.C. Contractors Limited for the year ended 31 December 2016, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is the 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 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 Auditor

As explained more fully in the Directors' responsibilities statement on page 7, 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 matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those 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 under the Companies Act 2006

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.



Independent Auditor's Report to the Members of C.L.C. Contractors 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.

A handwritten signature in black ink, appearing to read "Norman Armstrong".

Norman Armstrong (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Southampton
Date: 27 April 2017

Statement of Income and Retained Earnings

For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	128,434,862	121,214,861
Cost of sales		(103,597,557)	(99,827,687)
Gross profit		24,837,305	21,387,174
Administrative expenses		(14,065,668)	(12,880,911)
Operating profit	5	10,771,637	8,506,263
Interest payable and expenses	8	(184)	-
Profit before tax		10,771,453	8,506,263
Tax on profit	9	(1,815,452)	(1,710,714)
Profit after tax		8,956,001	6,795,549
Retained earnings at the beginning of the year		29,361,712	25,266,163
		29,361,712	25,266,163
Profit for the year		8,956,001	6,795,549
Dividends declared and paid	10	(5,500,000)	(2,700,000)
Retained earnings at the end of the year		32,817,713	29,361,712

The notes on pages 13 to 23 form part of these financial statements.

Balance Sheet

As at 31 December 2016

	Note	2016 £	2015 £
Current assets			
Stocks	11	98,034	117,049
Debtors: amounts falling due within one year	12	35,675,974	33,927,699
Cash at bank and in hand	13	9,242,114	7,874,785
		<u>45,016,122</u>	<u>41,919,533</u>
Creditors: amounts falling due within one year	14	(12,197,409)	(12,556,821)
Net current assets		<u>32,818,713</u>	<u>29,362,712</u>
Total assets less current liabilities		<u>32,818,713</u>	<u>29,362,712</u>
Net assets		<u><u>32,818,713</u></u>	<u><u>29,362,712</u></u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	15	32,817,713	29,361,712
		<u>32,818,713</u>	<u>29,362,712</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27/4/17



P I Armitage

Director

The notes on pages 13 to 23 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. General information

CLC Contracts Limited is a company limited by shares incorporated in England and Wales. The registered address is Unit 2, Northbrook Industrial Estate, Vincent Avenue, Southampton SO16 6PB. The principal activity during the year was that of painting and building maintenance contractors.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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 financial statements are presented in sterling (£). Monetary amounts are rounded to the nearest pound, unless otherwise stated.

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 Hilbre Holdings Limited as at 31 December 2016 and these financial statements may be obtained from Companies House.

2.3 Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 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:

Long term contracts

Long term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. Provision is made for any losses that are foreseen.

Amounts recoverable on contracts

Amounts recoverable on contracts are included in debtors and represent the value of work done in excess of amounts invoiced to the customer.

Payments on account

Payments on account are included in creditors and represent amounts receivable from the customer in excess of the Company's valuation of work done.

2.5 Operating leases: the Company as lessee

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

2.6 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.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 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.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.9 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.

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 income and retained earnings.

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, 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.

2.10 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.

2.11 Finance costs

Finance costs are charged to the Statement of income and retained earnings 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.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

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.

2.13 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 income and retained earnings 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.

2.14 Taxation

Tax is recognised in the Statement of income and retained earnings, 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.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.15 Employee benefits

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.

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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

In the process of applying the Company's accounting policies, which are described in Note 2 above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Revenue Recognition

Revenue is recognised for certain long term contracts based on the level of completion of the contract activity. This is ascertained by undertaking a valuation of the works carried out on a contract by contract basis. Particular judgement is required in evaluating the level of revenue completed by the year end. However, management carefully considers the accuracy of these valuations by reviewing the recoverability of work in progress balances by reference to the post balance sheet event period.

4. Turnover

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Defined contribution pension cost	434,817	457,035

Operating leases are in the name of C.L.C. Administration Limited which recharges the costs. Commitments under operating leases are disclosed in the parent Company's financial statements.

Fees paid to the Company's auditor for the statutory audit of the Company are charged to the parent Company C.L.C. Administration Limited. The cost of the Company audit is included within an administration charge. Fees paid to the Company's auditor for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the parent Company CLC Group Limited are required to disclose non-audit fees on a consolidated basis.

Notes to the Financial Statements

For the Year Ended 31 December 2016

6. Employees

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

	2016 £	2015 £
Wages and salaries	26,384,934	25,448,581
Social security costs	2,716,252	2,627,482
Cost of defined contribution scheme	434,817	457,035
	<u>29,536,003</u>	<u>28,533,098</u>

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

	2016 No.	2015 No.
Production	902	881
Administration	65	61
Management	15	15
	<u>982</u>	<u>957</u>

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	754,415	169,110
Company contributions to defined contribution pension schemes	74,528	18,129
	<u>828,943</u>	<u>187,239</u>

During the year retirement benefits were accruing to 8 directors (2015 -6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £153,141 (2015 -£84,228).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,668 (2015 -£NIL).

The directors of Hilbre Holdings are also directors of CLC Group Ltd, CLC Contractors Ltd and CLC Administration Ltd (the "Common Directors"). The Common Directors are also directors of the other group companies, apportionment of their remuneration is impractical and their full remuneration is disclosed in the accounts of Hilbre Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2016

8. Interest payable and similar charges

	2016	2015
	£	£
Other loan interest payable	184	-
	<u>184</u>	<u>-</u>
	<u>184</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

9. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	1,869,237	1,696,849
Adjustments in respect of previous periods	(53,785)	13,865
	<u>1,815,452</u>	<u>1,710,714</u>
Total current tax	<u>1,815,452</u>	<u>1,710,714</u>
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	<u>1,815,452</u>	<u>1,710,714</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2015 -the same as) the standard rate of corporation tax in the UK of 20% (2015 -20.25%) as set out below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>10,771,453</u>	<u>8,506,263</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.25%)	2,154,291	1,722,518
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	18,534	22,525
Adjustments to tax charge in respect of prior periods	(53,785)	13,865
Other timing differences leading to an increase (decrease) in taxation	1,377	43,059
Group relief	(304,965)	(91,253)
Total tax charge for the year	<u>1,815,452</u>	<u>1,710,714</u>

10. Dividends

	2016 £	2015 £
Dividends paid on ordinary share capital	<u>5,500,000</u>	<u>2,700,000</u>
	<u>5,500,000</u>	<u>2,700,000</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

11. Stocks

	2016 £	2015 £
Raw materials and consumables	98,034	117,049
	<u>98,034</u>	<u>117,049</u>

Stock recognised in cost of sales during the year as an expense was £NIL (2015: £49,256).

12. Debtors

	2016 £	2015 £
Trade debtors	11,551,409	11,422,755
Amounts owed by group undertakings	16,756,147	16,014,113
Other debtors	13,625	13,925
Prepayments and accrued income	60,980	65,840
Amounts recoverable on long term contracts	7,293,813	6,411,066
	<u>35,675,974</u>	<u>33,927,699</u>

13. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	9,242,114	7,874,785
	<u>9,242,114</u>	<u>7,874,785</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

14. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Payments received on account	304,108	1,231,011
Trade creditors	6,208,990	6,491,940
Corporation tax	756,642	850,714
Other taxation and social security	67,342	59,485
Other creditors	309,338	482,750
Accruals and deferred income	4,550,989	3,440,921
	<u>12,197,409</u>	<u>12,556,821</u>

15. Reserves

Called-up Share Capital

Represents the nominal value of the shares that have been issued.

Profit & loss account

Includes all current and prior period retained profits and losses.

16. Share capital

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

17. Contingent liabilities

The Company has, in the ordinary course of business, given guarantees to its bankers in respect of fellow group companies. Similarly, fellow group companies have given guarantees to third parties in respect of this Company.

The Group enters into long term contracts in the normal course of business. These contracts have been reviewed and provision had been made for the Director's best estimate of known legal claims.

18. Pension commitments

The Company is a member of two group defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The pension charge represents contributions payable by the Company to the fund and amounted to £434,817 (2015: £457,035). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the Financial Statements

For the Year Ended 31 December 2016

19. Related party transactions

The Company is exempt under FRS 102 from disclosing any transactions or balances with other members of the group headed by Hilbre Holdings Limited, whose consolidated financial statements are publically available at Companies House.

20. Controlling party

The immediate parent undertaking of the Company is C.L.C. Administration Limited, which is wholly owned by CLC Group Limited for which group accounts have been prepared. Copies of these accounts are publically available at Companies House.

The Directors regard the Ultimate Controlling Party as being the Armitage Trust, a Discretionary Trust based in Jersey. The shares in Hilbre Holdings Limited held by Grantley Limited are held as nominee for MPC International Inc a company of which the beneficial owner is the Armitage Trust. There is no day to day involvement in the business by any of the entities referred to above, the shareholding being held purely as an investment. None of the entities above should be regarded as a parent or Holding Company of Hilbre Holdings Limited.