

Company Registration No. 08313483 (England and Wales)

NEILCOTT GROUP HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



NEILCOTT GROUP HOLDINGS LIMITED

COMPANY INFORMATION

Directors	M C Elster J Gissane N Harrison R Weatherston P Reeves	(Appointed 1 March 2021) (Appointed 1 March 2021) (Appointed 1 March 2021) (Appointed 8 June 2021)
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Company number	08313483
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Registered office	Excel House Cray Avenue Orpington Kent United Kingdom BR5 3ST
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Auditor	Azets Audit Services Greytown House 221-227 High Street Orpington Kent United Kingdom BR6 0NZ
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NEILCOTT GROUP HOLDINGS LIMITED

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NEILCOTT GROUP HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report of Neilcott Group Holdings Limited ('the company') for the year ended 31 December 2020.

The Neilcott Group

Neilcott Group Holdings Limited (the company) is a parent undertaking of Neilcott Construction Limited, Neilcott Developments Limited, Neilcott Construction Services Limited and Neilcott Holdings Limited (the group).

Neilcott Construction Limited is the only active operational trading company within the group, the Review of Business for which follows.

Fair review of the business

The key financial highlights are as follows:

	2020 £	2019 £	2018 £	2017 £
Turnover	74,875,733	100,540,951	100,619,077	103,688,661
Change in turnover	(25.53)%	(0.08)%	(2.96)%	4.08%
Gross margin	21,317,656 28.47%	13,285,807 13.21%	14,064,383 13.98%	13,149,536 12.68%
Operating profit /(loss)	16,909,136	6,618,069	7,258,170	7,285,914
Profit for the financial year (after tax)	13,564,746	5,937,901	5,716,052	5,580,017
Working capital	22,918,820	12,032,832	10,542,816	9,099,021

The 2020 results set out herein reflects a 25% drop in turnover brought about by the COVID pandemic which dictated that public sector tender awards all but dried up during Q2 and Q3. As a consequence of the reduction in turnover an element of restructuring was necessary during 2020, the full cost of £645,150 being accounted for within the 2020 result. In addition a review of all specific contract provisions took place. The result of this review was a release of £9,715,000 of specific contract provisions whilst leaving in place a maintenance reserve on all live projects and projects yet to have making good defects certificates issued in the amount of £1,755,000 at the year end. The release of the specific contract provisions reflects a change in circumstances prompted by the pandemic, a reduced number of live projects at the year end, but also in adapting the policy for provisioning that had been in place for a long period of time reflecting uncertainties and difficult economic circumstances during the previous decades derived from pressures imposed by the company's previous owners.

Despite the unique challenges presented by the pandemic, production was maintained on all projects which enabled us to meet critical deadlines for our clients. The support received from our many appreciative clients together with the unrivaled talent, commitment and tenacity of our staff meant that 2020 produced another successful year's trading, returning a comparative gross margin after stripping out of the release of the specific contract provisions translating to an Operating profit of £7,194,136 (9.56 %).

During the year key traditional trading relationships were maintained with education and housing continuing to represent a substantial element of workload, along with a welcome increase in healthcare related projects. The year also saw a continuation of the company's framework success which accounts for a growing proportion of workload.

NEILCOTT GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

Business risks

The group's turnover represents but a fraction of the workload which is potentially available within the market therefore provided flexibility is retained to allow the group to continue to respond proactively to possible changes in market demographics and provided standards of delivery are maintained, the group will continue to be largely immune to cyclical market trends. Clearly the COVID-19 pandemic is a unique event with the potential to have a significantly adverse impact upon the market - clients, contractors, sub contractors and suppliers. The period of such adverse impact remains difficult to predict however it is expected that during more difficult times, the group's innate agility will ensure that it will continue to outperform many of its competitors.

Financial risks

The group's principal financial instruments comprise bank balances, intercompany loans, other debtors and other creditors. The main purpose of these instruments is to finance the group's operations. The nature of the financial instruments used by the group is such that their market value does not fluctuate as a result of changes in market prices. The group's approach to managing the risks applicable to the financial instruments concerned is as below.

Credit risks

Credit risk is minimised by assessing all new and existing customers for creditworthiness and implementing arrangements as appropriate such as to provide for security of payments.

Liquidity risks

Liquidity risk is managed by prudent management of cash within the business enabling day to day operations and long-term expansion of the business to be funded without recourse to external finance. The directors regularly review cash held within the business in terms of both the immediate and future cash requirements to ensure commitments are met as they fall due and allowing prudent levels of reserve such as to protect the business from unexpected debtor issues. Cash levels held will ensure that financial challenges arising as a consequence of the COVID-19 pandemic can be absorbed without distress and opportunities which will arise as the pandemic's effects begin to subside can be successfully exploited. Cash levels will also enable bonds to continue to be procured at competitive rates despite prevailing market conditions.

Statement by the directors relating to their statutory duties under S172(1) Companies Act 2006

Objectives

The group aims to be the preferred contractor of choice for its clients. This will be achieved through consistently delivering the required end product in terms of time, cost and quality, in a manner which respects the overriding and absolute requirement to maintain the health, safety and welfare of all those who may come into contact with our activities. All of our activities, large and small are therefore undertaken with a view to exceeding expectations wherever possible. By so doing and by adopting and promoting a collaborative approach throughout, the construction process is rendered an enjoyable and rewarding experience for all. This approach will support long term, repeat order trading relationships with clients and their advisors who value both the nature of the end product and the manner in which it is delivered. Development of such relationships provides the opportunity to secure steady work streams with a likeminded client base whose credentials can be relied upon, affording the company the best opportunity to realise a fair return on its activities.

The group also aspires for similar excellence across a broader range of activities. Continuous improvement is sought in respect of the impact of the group's activities upon the environment, seeking not just to minimise the potential for adverse impact but actively seeking out opportunities to create positive impacts. The group also recognises that having a significant stake in the public sector supply chain imposes a responsibility to maximise opportunities to generate community benefits arising from local capital expenditure and takes proactive steps to support this agenda.

NEILCOTT GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Operating model

Fundamental to achieving these objectives is attracting, developing and retaining a high calibre and highly motivated management team who share the group's collaborative ethos and for whom a proactive approach to problem solving is second nature. Such staff will be motivated by the challenges offered by the most demanding projects whereupon higher level skill sets can create the greatest competitive advantage.

The group's approach to construction requires a stable supply chain to be maintained comprising partners who share the group's ambitions and who possess the necessary technical credentials to allow them to contribute positively to the construction process whilst being able to provide appropriate levels of commercial security. Adoption of fair procurement and payment practices and provision of exemplary working environments promotes a partnership approach to working with the supply chain, ensuring the highest standards are achieved whilst allowing our partners to realise their own commercial expectations.

Forward planning

The increase in activity as the group has emerged from the pandemic has been dramatic and as a consequence in 2021 turnover is expected to return to circa £100m with profitability being maintained at or near historic levels. This further evidences the group's ability to adapt quickly and effectively to changing market circumstances and also reflects the depth of emerging managerial talent within the group at all levels. With £70m turnover already booked for 2022 and £25m booked for 2023, this management strength will secure the group's continued success into the future.

On behalf of the board

R Weatherston

R Weatherston
Director

Date: 17-09-21

NEILCOTT GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of a parent undertaking.

Results and dividends

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

Ordinary dividends were paid amounting to £2,800,000. The directors do not recommend payment of a further dividend.

Directors

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

M C Elster	
J G O'Shea	(Resigned 1 March 2021)
J Gissane	(Appointed 1 March 2021)
N Harrison	(Appointed 1 March 2021)
R Weatherston	(Appointed 1 March 2021)
P Reeves	(Appointed 8 June 2021)

Financial instruments

The company's financial instruments at the balance sheet date comprised cash and liquid resources. The main purpose of these financial instruments is to provide finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

Auditor

On 7 September 2020 Group Audit Services Limited, trading as Wilkins Kennedy Audit Services, changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

Energy and carbon report

	2020	2019
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year		
- Electricity purchased	115,523	-
	<hr/>	<hr/>
	115,523	-
	<hr/>	<hr/>

NEILCOTT GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

<i>Emissions of CO2 equivalent</i>	2020 metric tonnes	2019 metric tonnes
Scope 1 - direct emissions		
- Gas combustion	-	-
- Fuel consumed for owned transport	24.80	-
	<hr/>	<hr/>
	24.80	-
Scope 2 - indirect emissions		
- Electricity purchased	26,933.00	-
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the	-	-
	<hr/>	<hr/>
Total gross emissions	26,957.80	-
	<hr/>	<hr/>
<i>Intensity ratio</i>		
Tonnes CO2e per employee	103.68	
	<hr/>	<hr/>

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per full time employees, the recommended ratio for the sector.

Measures taken to improve energy efficiency

The group has engaged in looking more closely at monitoring overall emission levels by reducing where possible the use of fossil burning vehicles, plant and other equipment by moving towards hybrid and electric forms. The use of modern and advancing media communications are also leading to less forms of transportation requirements across the group.

NEILCOTT GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

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

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

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

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

Strategic report

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

Statement of disclosure to auditor

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

On behalf of the board



R Weatherston
Director

Date: 17-09-21

NEILCOTT GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEILCOTT GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of Neilcott Group Holdings Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NEILCOTT GROUP HOLDINGS LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

NEILCOTT GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NEILCOTT GROUP HOLDINGS LIMITED

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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



Catherine Cooper (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

Date: 17/9/21

Chartered Accountants
Statutory Auditor

Greytown House
221-227 High Street
Orpington
Kent
United Kingdom
BR6 0NZ

NEILCOTT GROUP HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Interest receivable and similar income	5	2,800,000	4,300,000
Profit before taxation		<u>2,800,000</u>	<u>4,300,000</u>
Tax on profit	6	-	-
Profit for the financial year		<u><u>2,800,000</u></u>	<u><u>4,300,000</u></u>

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

NEILCOTT GROUP HOLDINGS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Investments	8		3,375,000		3,375,000
Current assets					
Debtors	10	23,191,838		20,391,838	
Creditors: amounts falling due within one year	11	<u>(23,191,838)</u>		<u>(20,391,838)</u>	
Net current assets			-		-
Net assets			<u>3,375,000</u>		<u>3,375,000</u>
Capital and reserves					
Called up share capital	12		15,385		15,385
Share premium account	13		2,187,615		2,187,615
Capital redemption reserve	14		1,868,579		1,868,579
Own shares	15		(703,000)		(703,000)
Profit and loss reserves	16		6,421		6,421
Total equity			<u>3,375,000</u>		<u>3,375,000</u>

The financial statements were approved by the board of directors and authorised for issue on 17-09-21 and are signed on its behalf by:

R Weatherston

R Weatherston
Director

Company Registration No. 08313483

NEILCOTT GROUP HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Own shares £	Profit and loss reserves £	Total £
Balance at 1 January 2019		15,385	2,187,615	1,868,579	(703,000)	6,421	3,375,000
Year ended 31 December 2019:							
Profit and total comprehensive income for the year		-	-	-	-	4,300,000	4,300,000
Dividends	7	-	-	-	-	(4,300,000)	(4,300,000)
Balance at 31 December 2019		15,385	2,187,615	1,868,579	(703,000)	6,421	3,375,000
Year ended 31 December 2020:							
Profit and total comprehensive income for the year		-	-	-	-	2,800,000	2,800,000
Dividends	7	-	-	-	-	(2,800,000)	(2,800,000)
Balance at 31 December 2020		15,385	2,187,615	1,868,579	(703,000)	6,421	3,375,000

NEILCOTT GROUP HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities			-		-
Investing activities					
Dividends received		2,800,000		4,300,000	
Net cash generated from investing activities			2,800,000		4,300,000
Financing activities					
Dividends paid		(2,800,000)		(4,300,000)	
Net cash used in financing activities			(2,800,000)		(4,300,000)
Net increase in cash and cash equivalents			-		-
Cash and cash equivalents at beginning of year			-		-
Cash and cash equivalents at end of year			-		-

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Neilcott Group Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Excel House, Cray Avenue, Orpington, Kent, United Kingdom, BR5 3ST.

1.1 Accounting convention

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

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

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

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

- Section 33 'Related Party Disclosures': paragraph 33.7

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Report Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year a dividend was declared of which £70,000 (2019: £107,501) was paid to Neilcott Group Holdings Limited Employee Benefit Trust, of which Mr M Elster is a Trustee.

Preparation of consolidated financial statements

The financial statements contain information about Neilcott Group Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements at it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Tyrolese (751) Limited, whose registered office is Excel House, Cray Avenue, Orpington, Kent, BR5 3ST.

1.2 Going concern

The Directors have reviewed the group's operating plans and considered expected impacts on the group's future revenues caused by Coronavirus and the associated likely downward pressure on margins. Whilst at this stage, it is difficult to predict these impacts with certainty, on the basis of the Directors review, the group has adequate resources to continue in operational existence for the foreseeable future and it is therefore appropriate to adopt the going concern basis of accounting for these financial statements.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

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

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

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

Basic financial assets

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

Other financial assets

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

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.6 Equity instruments

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

1.7 Foreign exchange

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

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies **(Continued)**

1.8 Employee benefit trust

Shares held by the Neilcott Group Holdings Limited Employee Benefit Trust are classified in capital and reserves as "reserve for own shares" and recognised at cost. Share premium received for the sale of such shares is also recognised in equity. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

2 Judgements and key sources of estimation uncertainty

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

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

No key judgements or estimations have been used in the preparation of the financial statements.

3 Operating profit

There were no items charges to the operating profit for the year ended 31 December 2020 nor for the year ended 31 December 2019.

4 Employees

There were no staff costs for the year ended 31 December 2020 nor for the year 31 December 2019.

5 Interest receivable and similar income

	2020	2019
	£	£
Income from fixed asset investments		
Income from shares in group undertakings	2,800,000	4,300,000
	<u> </u>	<u> </u>

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Taxation

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

	2020 £	2019 £
Profit before taxation	2,800,000	4,300,000
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	532,000	817,000
Dividend income	(532,000)	(817,000)
Taxation charge for the year	-	-

No liability to UK corporation tax arose for the year ended 31 December 2020 nor for the year ended 31 December 2019.

7 Dividends

	2020 £	2019 £
Final paid	2,800,000	4,300,000

8 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	9	3,375,000	3,375,000

9 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Neilcott Construction Limited	Excel House, Cray Avenue, Orpington, Kent, BR5 3ST	Construction	Ordinary	100.00
Neilcott Construction Services Limited	Excel House, Cray Avenue, Orpington, Kent, BR5 3ST	Holding company	Ordinary	100.00
Neilcott Developments Limited	Excel House, Cray Avenue, Orpington, Kent BR5 3ST	Property development	Ordinary	100.00
Neilcott Holdings Limited	Excel House, Cray Avenue, Orpington, Kent, BR5 3ST	Holding company	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Subsidiaries (Continued)

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
Neilcott Construction Limited	23,176,518	13,564,746
Neilcott Construction Services Limited	462,640	2,800,000
Neilcott Developments Limited	(601)	-
Neilcott Holdings Limited	700,878	2,799,971

10 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Amounts owed by group undertakings	23,191,838	20,391,838

11 Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts owed to group undertakings	21,190,338	19,688,838
Other creditors	2,001,500	703,000
	<u>23,191,838</u>	<u>20,391,838</u>

12 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
A Ordinary Shares of 1p each	863,500	863,500	8,635	8,635
B Ordinary Shares of 1p each	675,000	675,000	6,750	6,750
	<u>1,538,500</u>	<u>1,538,500</u>	<u>15,385</u>	<u>15,385</u>

Called-up share capital represents the nominal value of shares that have been issued.

13 Share premium account

	2020 £	2019 £
At the beginning and end of the year	2,187,615	2,187,615

Share premium account - includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Capital redemption reserve

	2020 £	2019 £
At the beginning and end of the year	1,868,579	1,868,579

Capital redemption reserve - includes amounts transferred following the redemption of the company's preference shares.

15 Own shares

	£
At the beginning of the prior year	(703,000)
At the end of the prior year	(703,000)
At the end of the current year	(703,000)

Neilcott Group Holdings Limited Employee Benefit Trust holds 38,462 shares in Neilcott Group Holdings Limited with a nominal value of £0.01 each, £385. These shares were acquired in April 2018 at a cost of £18.27 each, £703,000. The Trust is indirectly funded by Neilcott Group Holdings Limited to meet their obligations under the share option scheme and all the shares held by the Trust are solely for this purpose. The shares held by the Trust are distributed to employees in accordance with Neilcott Group Holdings Limited's wishes. All expenses incurred by the Trust are settled directly by Neilcott Group Holdings Limited and charged in the financial statements as incurred.

16 Profit and loss reserves

	2020 £	2019 £
At the beginning of the year	6,421	6,421
Profit for the year	2,800,000	4,300,000
Dividends declared and paid in the year	(2,800,000)	(4,300,000)
At the end of the year	6,421	6,421

Retained earnings - includes all current and prior period retained profits and losses.

17 Related party transactions

During the year a dividend was declared of which £70,000 (2019: £107,501) was paid to the Neilcott Group Holdings Limited Employee Benefit Trust, of which Mr M Elster is a Trustee. At the year end £703,000 is included in other creditors for the subscription by the Employee Benefit Trust for shares in the company and £70,000 for unpaid dividend.

NEILCOTT GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Ultimate controlling party

The company is a 53.63% owned subsidiary of Tyrolese (751) Limited, a company incorporated in England and Wales. Tyrolese (751) Limited is considered to be the ultimate parent undertaking and controlling party

The smallest and largest group in which the results of the company are consolidated is that of Tyrolese (751) Limited. Copies of the consolidated financial statements of Tyrolese (751) Limited can be obtained from the registered address of the company.

19 Events after the reporting date

On 2 March the beneficial ownership of the share capital of Tyrolese (751) Limited was sold to The Neilcott Employee Ownership Trust (NEOT). The transfer was planned to achieve a transfer to indirect employee ownership and allow the existing shareholders and management team an opportunity to manage their orderly and phased retirement over the coming years.

After considering various alternatives the directors and shareholders concluded that a sale to the NEOT was the best option available for all stakeholders. The transaction allows the group to continue to trade without an immediate change in personnel, focus and culture and allows flexibility in terms of implementing succession planning at senior management and at Board level.

The sale to the EOT will be funded from current and future resources available within the group without adversely affecting liquidity. This will ensure business continuity, funds for profitable growth and a secure platform on which to secure necessary bonding to cover existing and future construction activity.

The transaction will be financed by an initial capital contribution to the NEOT, and further Capital Contributions anticipated over the coming years. The Capital Contributions being structured to be affordable by reference to prudent base case forecasts.

20 Cash absorbed by operations

	2020	2019
	£	£
Profit for the year after tax	2,800,000	4,300,000
Adjustments for:		
Investment income	(2,800,000)	(4,300,000)
Movements in working capital:		
Increase in debtors	(2,800,000)	(4,300,000)
Increase in creditors	2,800,000	4,300,000
Cash absorbed by operations	<u> -</u>	<u> -</u>