

COMPANY REGISTRATION NUMBER: 07976634

SQS GROUP (UK) LIMITED
FINANCIAL STATEMENTS
31 AUGUST 2017

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17 APR 2018
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SQS Group (UK) Limited

Financial statements

Year ended 31 August 2017

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members	6
Consolidated statement of income and retained earnings	9
Company statement of income and retained earnings	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated statement of cash flows	13
Notes to the financial statements	14

SQS Group (UK) Limited

Officers and professional advisers

The board of directors	Mr M O'Connor Mrs C O'Connor
Company secretary	Mrs C O'Connor
Registered office	12 Priestley Way London England NW2 7AP
Auditor	BDO Northern Ireland Chartered accountant & statutory auditor Lindsay House 10 Callender Street Belfast BT1 5BN
Bankers	Barclays Bank PLC 126 Station Road Edgeware HA8 7RY
Solicitors	Boyes Sutton & Perry 20 Wood Street Barnet Hertfordshire EN5 4BJ

SQS Group (UK) Limited

Strategic report

Year ended 31 August 2017

The directors have pleasure in presenting their strategic report and the financial statements of the group for the year ended 31 August 2017.

Principal activities and business review

The principal activity of the group during the year was that of tarmac re-instatement, highway maintenance and utility re-instatement. The profit and loss account for the period is set out on page 10 and shows turnover for the year of £58,329,611 and a profit on ordinary activities before taxation of £3,086,526. Turnover has increased by 10.9% as compared to 2016.

The group continued to experience strong growth in sales during 2017 and expect a similar level of sales for year ending August 2018 on the basis of the current order book. The directors are confident that with the work-in-hand and reconfiguration of certain contracts the business can maintain the net margin of 5% in the face of very challenging price rises and competition.

Principal risks and uncertainties

The group seek to manage the risk of losing customers to key competitors by offering product solutions, short response times and maintaining strong relationships with customers.

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by credit checks on new customers and by monitoring payments against agreed terms.

The group monitors cash flow as part of its day to day control procedures. The directors monitor cash flow on a monthly basis and ensure that appropriate facilities are available to be drawn upon as necessary.

Going forward the principle uncertainty the business faces is the impact BREXIT will have on business's labour cost. A significant portion of the organisation's labour is from outside the UK and any immigration restrictions may force up the overall cost of labour as construction businesses struggle to find suitable trained and qualified resources

Analysis of the development, performance and position of the business

The directors and other board members closely monitor the performance of the business to ensure it is performing in line with pre-agreed budgets, via monthly board meetings.

The performance of each contract is measured closely by the contract team and any discrepancies to budgeted performance are highlighted and corrected. Responsibility of each contracts performance is delegated to the contract team who are charged with delivering the agreed results on a monthly basis.

The business maintains a robust set of KPIs to measure the overall operation of the business.

The Directors are confident that the group will continue to grow and seek new opportunities within the market. There have been no events since the balance sheet date which materially affect the position of the group.

SQS Group (UK) Limited**Strategic report** *(continued)***Year ended 31 August 2017**

Key Performance Indicators

The following section gives a comparison between the current and past year on key factors in the financial performance of our business.

	2017	2016
Turnover	£58,329,611	£52,595,958
Gross Profit	£8,938,767	£6,670,636
Gross Profit (%)	15.4%	12.7%

This report was approved by the board of directors on 12/04/18 and signed on behalf of the board by:



Mrs C O'Connor
Director

Registered office:
12 Priestley Way
London
England
NW2 7AP

SQS Group (UK) Limited

Directors' report

Year ended 31 August 2017

The directors present their report and the financial statements of the group for the year ended 31 August 2017.

Directors

The directors who served the company during the year were as follows:

Mr M O'Connor
Mrs C O'Connor

Dividends

Particulars of recommended dividends are detailed in note 13 to the financial statements.

Employment of disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Disclosure of information in the strategic report

The strategic report is included at pages 2 to 3.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

SQS Group (UK) Limited

Directors' report *(continued)*

Year ended 31 August 2017

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.

Auditor

The auditors, BDO Northern Ireland have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 12/04/18 and signed on behalf of the board by:



Mrs C O'Connor
Director

Registered office:
12 Priestley Way
London
England
NW2 7AP

SQS Group (UK) Limited

Independent auditor's report to the members of SQS Group (UK) Limited

Year ended 31 August 2017

Opinion

We have audited the financial statements of SQS Group (UK) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2017 which comprise the consolidated statement of income and retained earnings, company statement of income and retained earnings, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows and the related notes, including a summary of 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 group's and of the parent company's affairs as at 31 August 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

SQS Group (UK) Limited

Independent auditor's report to the members of SQS Group (UK) Limited

(continued)

Year ended 31 August 2017

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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 the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

SQS Group (UK) Limited

Independent auditor's report to the members of SQS Group (UK) Limited

(continued)

Year ended 31 August 2017

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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

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 for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Nigel V W Harra, senior statutory auditor
For and on behalf of BDO Northern Ireland, statutory auditor
Lindsay House
10 Callender Street
Belfast
BT1 5BN

12 April 2018

SQS Group (UK) Limited**Consolidated statement of income and retained earnings****Year ended 31 August 2017**

	Note	2017 £	2016 £
Turnover	4	58,329,611	52,595,958
Cost of sales		<u>49,390,844</u>	<u>45,925,322</u>
Gross profit		8,938,767	6,670,636
Administrative expenses		<u>6,554,443</u>	5,588,751
Other operating income	5	<u>685,846</u>	<u>716,508</u>
Operating profit	6	3,070,170	1,798,393
Other interest receivable and similar income	10	<u>121,269</u>	72,334
Interest payable and similar expenses	11	<u>104,913</u>	<u>91,975</u>
Profit before taxation		3,086,526	1,778,752
Tax on profit	12	<u>26,160</u>	<u>369,321</u>
Profit for the financial year and total comprehensive income		<u>3,060,366</u>	<u>1,409,431</u>
Dividends paid and payable	13	(1,150,000)	(645,000)
Retained earnings at the start of the year		<u>5,295,934</u>	<u>4,531,503</u>
Retained earnings at the end of the year		<u>7,206,300</u>	<u>5,295,934</u>

All the activities of the group are from continuing operations.

SQS Group (UK) Limited**Company statement of income and retained earnings****Year ended 31 August 2017**

	Note	2017 £	2016 £
Profit for the financial year and total comprehensive income		1,150,000	645,000
Dividends paid and payable	13	(1,150,000)	(645,000)
Retained earnings at the start of the year		<u>—</u>	<u>—</u>
Retained earnings at the end of the year		<u><u>—</u></u>	<u><u>—</u></u>

SQS Group (UK) Limited**Consolidated statement of financial position****31 August 2017**

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	982,347	988,103
Current assets			
Stocks	16	305,193	382,427
Debtors	17	10,911,942	12,984,372
Cash at bank and in hand		5,669,904	1,216,750
		<u>16,887,039</u>	<u>14,583,549</u>
Creditors: amounts falling due within one year	18	<u>10,683,730</u>	<u>9,661,093</u>
Net current assets		<u>6,203,309</u>	<u>4,922,456</u>
Total assets less current liabilities		<u>7,185,656</u>	<u>5,910,559</u>
Creditors: amounts falling due after more than one year	19	–	604,167
Provisions			
Taxation including deferred tax	20	(21,744)	9,358
Net assets		<u>7,207,400</u>	<u>5,297,034</u>
Capital and reserves			
Called up share capital	22	1,100	1,100
Profit and loss account	23	7,206,300	5,295,934
Shareholders funds		<u>7,207,400</u>	<u>5,297,034</u>

These financial statements were approved by the board of directors and authorised for issue on 12/04/18 and are signed on behalf of the board by:



Mr M O'Connor
Director



Mrs C O'Connor
Director

Company registration number: 07976634

SQS Group (UK) Limited**Company statement of financial position****31 August 2017**

	Note	2017 £	2016 £
Fixed assets			
Investments	15	400	400
Current assets			
Debtors	17	<u>700</u>	<u>700</u>
Net current assets		<u>700</u>	<u>700</u>
Total assets less current liabilities		<u><u>1,100</u></u>	<u><u>1,100</u></u>
Capital and reserves			
Called up share capital	22	<u>1,100</u>	<u>1,100</u>
Shareholders funds		<u><u>1,100</u></u>	<u><u>1,100</u></u>

The profit for the financial year of the parent company was £1,150,000 (2016: £645,000).

These financial statements were approved by the board of directors and authorised for issue on 12/04/17 and are signed on behalf of the board by:



Mr M O'Connor
Director



Mrs C O'Connor
Director

Company registration number: 07976634

SQS Group (UK) Limited

Consolidated statement of cash flows

Year ended 31 August 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	3,060,366	1,409,431
<i>Adjustments for:</i>		
Depreciation of tangible assets	103,440	120,577
Other interest receivable and similar income	(121,269)	(72,334)
Interest payable and similar expenses	104,913	91,975
Loss/(gains) on disposal of tangible assets	51,429	(726)
Tax on profit	26,160	369,321
Accrued expenses/(income)	2,088,375	(24,899)
<i>Changes in:</i>		
Stocks	77,234	(153,835)
Trade and other debtors	2,111,801	(540,804)
Trade and other creditors	(608,320)	(548,410)
Cash generated from operations	<u>6,894,129</u>	650,296
Interest paid	(104,913)	(63,903)
Interest received	121,269	–
Tax paid	(523,948)	(466,944)
Net cash from operating activities	<u>6,386,537</u>	<u>119,449</u>
Cash flows from investing activities		
Purchase of tangible assets	(153,962)	(92,099)
Proceeds from sale of tangible assets	4,849	16,143
Net cash used in investing activities	<u>(149,113)</u>	<u>(75,956)</u>
Cash flows from financing activities		
Proceeds from borrowings	151,863	1,000,000
Repayments of borrowings	(1,003,717)	(145,833)
Dividends paid	(1,150,000)	(645,000)
Loans to related parties	217,584	(2,179,258)
Net cash used in financing activities	<u>(1,784,270)</u>	<u>(1,970,091)</u>
Net increase/(decrease) in cash and cash equivalents	4,453,154	(1,926,598)
Cash and cash equivalents at beginning of year	1,216,750	3,143,348
Cash and cash equivalents at end of year	<u>5,669,904</u>	<u>1,216,750</u>

SQS Group (UK) Limited

Notes to the financial statements

Year ended 31 August 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 12 Priestley Way, London, England, NW2 7AP.

The principal activity of the group during the year was that of tarmac re-instatement, highway maintenance and utility re-instatement.

Each company within the group is a limited company. The country of incorporation of the parent company is England. The country of incorporation of each of the members within the group is included within note 16.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with the historical cost convention. The financial reporting framework that has been applied in their preparation is the Companies Act 2006 and FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

The financial statements have been prepared in Sterling, which is the functional currency of the entity.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The consolidated financial statements incorporate the accounts of the company and all its subsidiaries, using the acquisition or merger method of accounting as required. Where the acquisition method is used the results of subsidiary undertakings are included from the date of acquisition.

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Trade and other debtors are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made against specific invoices where recoverability is uncertain.
- Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Contract revenue and costs are recognised when the outcome of a construction contract can be reliably estimated. The percentage of completion method is used to value revenue and costs at year end, these are included in the profit or loss account. At year end, the company reviews the recoverability of amounts already recognised as contract revenue. If, on the review of market conditions and conversations with the client, the debtor is not considered to be recoverable, the undeliverable amount will be expensed in the year. When, on review of production schedules, it is deemed probable that total contract costs will exceed total contract revenue the expected loss is recognised as an expense immediately, which a corresponding provision for an onerous contract.

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Revenue recognition

Turnover represents sales to external customers at invoiced amounts exclusive of value added tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	3% straight line
Plant & Machinery	-	25% reducing balance
Fixtures & Fittings	-	25% reducing balance
Motor Vehicles	-	25% reducing balance
Site Development	-	3% straight line

Investments

Parent company investments in subsidiary companies are initially recorded at cost, and subsequently stated at cost less accumulated impairment losses.

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Dividends

Equity dividends are recognised when they become legally payable or receivable.

Cash and cash equivalents

Cash consists of cash on hand and demand deposits. There are no cash equivalents included in the financial statements.

Other financial assets

Other financial assets comprise of trade debtors, amounts due from related undertakings, amounts recoverable on contracts and other debtors. Other financial assets are initially measured at the undiscounted amount of cash receivable and are subsequently measured at amortised cost less impairment, where there is objective evidence of an impairment.

Other financial liabilities

Other financial liabilities include trade creditors, amounts owed to group and related undertakings and other creditors. Other financial liabilities are measured at invoice cost, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

4. Turnover

Turnover arises from:

	2017	2016
	£	£
Construction contracts	<u>58,329,611</u>	<u>52,595,958</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

5. Other operating income

	2017	2016
	£	£
Management charges receivable	419,426	436,621
Other operating income	<u>266,420</u>	<u>279,887</u>
	<u>685,846</u>	<u>716,508</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible assets	103,440	120,577
Loss/(gains) on disposal of tangible assets	51,429	(726)
Impairment of trade debtors	<u>14,801</u>	<u>10,080</u>

7. Auditor's remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>25,460</u>	<u>25,500</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>25,668</u>	<u>5,000</u>

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Number of production and administrative staff	<u>324</u>	<u>315</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	12,636,189	11,757,791
Social security costs	<u>1,366,266</u>	<u>1,322,037</u>
	<u>14,002,455</u>	<u>13,079,828</u>

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017 £	2016 £
Remuneration	<u>309,979</u>	<u>161,762</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2017 No.	2016 No.
Defined contribution plans	<u>2</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2017 £	2016 £
Aggregate remuneration	<u>155,301</u>	<u>80,852</u>

10. Other interest receivable and similar income

	2017 £	2016 £
Interest on loans and receivables	<u>121,269</u>	<u>72,334</u>

11. Interest payable and similar expenses

	2017 £	2016 £
Interest on banks loans and overdrafts	84,394	38,352
Interest on obligations under finance leases and hire purchase contracts	–	25,550
Interest payable on loan from directors	<u>20,519</u>	<u>28,073</u>
	<u>104,913</u>	<u>91,975</u>

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

12. Tax on profit

Major components of tax expense

	2017 £	2016 £
Current tax:		
UK current tax expense	458,113	375,731
Adjustments in respect of prior periods	<u>(400,851)</u>	<u>155</u>
Total current tax	<u>57,262</u>	<u>375,886</u>
Deferred tax:		
Origination and reversal of timing differences	4,233	–
Impact of change in tax rate	1,303	(1,593)
Origination and reversal of timing differences	(3,818)	(4,972)
Adjustments in respect of prior periods	<u>(32,820)</u>	<u>–</u>
Total deferred tax	<u>(31,102)</u>	<u>(6,565)</u>
Tax on profit	<u>26,160</u>	<u>369,321</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.58% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	<u>3,086,526</u>	<u>1,778,752</u>
Profit on ordinary activities by rate of tax	604,367	355,751
Adjustment to tax charge in respect of prior periods	(400,850)	155
Effect of expenses not deductible for tax purposes	7,939	32,490
Effect of capital allowances and depreciation	4,229	–
Deferred tax not recognised	(178,012)	(18,034)
Adjust closing deferred tax to average rate of 20%	<u>(11,513)</u>	<u>(1,041)</u>
Tax on profit	<u>26,160</u>	<u>369,321</u>

13. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2017 £	2016 £
Equity dividends on ordinary shares	<u>1,150,000</u>	<u>645,000</u>

SQS Group (UK) Limited

Notes to the financial statements (continued)

Year ended 31 August 2017

14. Tangible assets

Group	Leasehold Property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Site Development £	Total £
Cost						
At 1 Sep 2016	687,487	281,652	489,495	72,985	125,719	1,657,338
Additions	–	–	36,894	–	117,068	153,962
Disposals	–	(63,301)	(167,380)	(28,050)	–	(258,731)
At 31 Aug 2017	687,487	218,351	359,009	44,935	242,787	1,552,569
Depreciation						
At 1 Sep 2016	89,461	218,173	296,215	52,516	12,870	669,235
Charge for the year	22,115	20,568	52,425	4,075	4,257	103,440
Disposals	–	(49,105)	(133,115)	(20,233)	–	(202,453)
At 31 Aug 2017	111,576	189,636	215,525	36,358	17,127	570,222
Carrying amount						
At 31 Aug 2017	575,911	28,715	143,484	8,577	225,660	982,347
At 31 Aug 2016	598,026	63,479	193,280	20,469	112,849	988,103

The company has no tangible assets.

15. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 September 2016 and 31 August 2017	400
Impairment	
At 1 September 2016 and 31 August 2017	–
Carrying amount	
At 1 September 2016 and 31 August 2017	400
At 31 August 2016	400

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

15. Investments *(continued)*

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

Subsidiary undertakings	Class of share	Percentage of shares held
Stanmore Quality Surfacing Limited	Ordinary	100
Quality Recycling Solutions Limited	Ordinary	100
Ontrack Management Solutions Limited	Ordinary	100

16. Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Raw materials and consumables	<u>305,193</u>	<u>382,427</u>	<u>–</u>	<u>–</u>

There is no material difference between the net book value and the replacement cost of the stock.

17. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	2,096,621	2,577,676	–	–
Prepayments and accrued income	364,328	480,404	–	–
Corporation tax repayable	203,498	–	–	–
Amounts due from related parties	4,063,090	4,280,675	–	–
Amounts recoverable on contract	4,169,248	5,371,040	–	–
Other debtors	15,157	274,577	700	700
	<u>10,911,942</u>	<u>12,984,372</u>	<u>700</u>	<u>700</u>

All debts are due within one year.

SQS Group (UK) Limited

Notes to the financial statements (continued)

Year ended 31 August 2017

18. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	4,597,650	4,475,945	-	-
Accruals and deferred income	4,813,564	2,725,189	-	-
Corporation tax	-	209,731	-	-
Social security and other taxes	1,235,978	1,364,806	-	-
Director loan accounts	32,802	280,489	-	-
Other creditors	3,736	604,933	-	-
	<u>10,683,730</u>	<u>9,661,093</u>	<u>-</u>	<u>-</u>

19. Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Director loan accounts	-	604,167	-	-
	<u>-</u>	<u>604,167</u>	<u>-</u>	<u>-</u>

20. Provisions

Group	Deferred tax (note 21) £
At 1 September 2016	9,358
Charge against provision	(31,102)
At 31 August 2017	(21,744)

The company does not have any provisions.

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Included in provisions (note 20)	(21,744)	9,358	-	-
	<u>(21,744)</u>	<u>9,358</u>	<u>-</u>	<u>-</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	(5,031)	12,872	-	-
Short term timing differences	(16,713)	(3,514)	-	-
	<u>(21,744)</u>	<u>9,358</u>	<u>-</u>	<u>-</u>

SQS Group (UK) Limited

Notes to the financial statements (continued)

Year ended 31 August 2017

22. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>

23. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

24. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Not later than 1 year	575,949	544,740	-	-
Later than 1 year and not later than 5 years	2,002,369	1,968,035	-	-
Later than 5 years	6,987,704	7,467,544	-	-
	<u>9,566,022</u>	<u>9,980,319</u>	<u>-</u>	<u>-</u>

25. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company and its subsidiary undertakings:

	2017			
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
Mr M O'Connor	(442,328)	(839,967)	1,265,894	(16,401)
Mrs C O'Connor	(442,328)	(839,967)	1,265,894	(16,401)
	<u>(884,656)</u>	<u>(1,679,934)</u>	<u>2,531,788</u>	<u>(32,802)</u>

	2016			
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
Mr M O'Connor	(25,516)	(822,500)	405,688	(442,328)
Mrs C O'Connor	(25,516)	(822,500)	405,688	(442,328)
	<u>(51,032)</u>	<u>(1,645,000)</u>	<u>811,376</u>	<u>(884,656)</u>

SQS Group (UK) Limited

Notes to the financial statements *(continued)*

Year ended 31 August 2017

26. Related party transactions

Group

The group was under the control of Mr M O'Connor and Mrs C O'Connor throughout the current and prior year. Mr and Mrs O'Connor are also directors and shareholders of a number of companies and therefore these are considered to be related undertakings.

The transactions during the year with related undertakings and amounts owed by/(to)related undertakings at the start and end of the financial year are analysed as follows:

	At 1 Sept 2016	Sales/ (Purchases)	Receipts/ (Payments)	At 31 August 2017
	£	£	£	£
Other related undertakings	4,280,675	(5,060,622)	4,843,037	4,063,090

No other transactions with related parties were undertaken such as are required to be disclosed under FRS 102 paragraph 33.