TOLENT PLC

Report and Financial Statements

For the year ended

31st December 2018

TOLENT PLC

Annual report and financial statements for the year ended 31st December 2018

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Directors, Secretary and Registered Office

Directors

C. Anderson	Non Executive Chairman	Appointed as Non Executive Director on 1st May 2018 and as Non Executive Chairman on 5th June 2018
A.I. McLeod	Chief Executive Officer	Appointed 13th March 2018
P.W. Webster	Chief Operating Officer	Appointed 13th March 2018
A.D. Clark	Financial Director	
O.A.J. Aebi	Non Executive Director	
I.M. Lawson	Non Executive Director	Appointed 1st May 2018
J.G. Wood	Director	Resigned 31st December 2018
A.W. Ospelt	Non Executive Director	Resigned 31st December 2018
P.K. Hems	Non Executive Chairman	Resigned 5th June 2018
T. Phillipson	Director	Resigned 31st March 2018

Secretary

A.D. Clark

Registered Office

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Tyne and Wear
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e-mail: info@tolent.co.uk
Web site: www.tolent.co.uk

Registrar

Link Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
1 Holly Street
Sheffield
S1 2GT

Registered in England : Company Number - 03819314

Changing of the Guard

2018 has been a year of significant transition for Tolent in terms of personnel. Two of the group's founding directors, Trevor Phillipson and John Wood, retired from the board. A lot has already been said about Trevor when he stepped down in March of last year and I would like to use this, my first statement as chairman of Tolent, to place on record John Wood's tremendous contribution to the business since it's foundation. John is a man who embodies the very essence of what Tolent stands for in his values, conduct and acumen. His contribution to the building and civil engineering industry as well as to the wider community in the North East of England in particular, was rightly recognised with his award of a CBE in the New Year Honours. Thankfully, although his role in the group is reducing as he now turns his attention to focus purely on our very significant project at Seaham, he is still going to be working with us for another year.

Other significant departures from the group board include Alex Ospelt and, of course, my predecessor as chairman, Peter Hems, both of whom have also contributed to the development of the business over many years. I would like to take this opportunity to publicly record my thanks to them for their efforts and my appreciation of the time taken by them to ensure a smooth hand over to me as chairman and in identifying and then securing the services of Ian Lawson, a very highly regarded industry veteran, to further strengthen the board at non executive level.

As far as the executive team is concern, Andy McLeod was appointed to the main board as Chief Executive, succeeding John Wood, on 31 March, and Paul Webster was also appointed on the same day as Chief Operating Officer following Trevor's retirement. Andy's career prior to Tolent saw him in senior roles at a number of construction companies, most recently as Managing Director for Northern England at Robertson Group. He brings a wealth of experience and new ideas to Tolent in his new capacity.

Review of 2018 and dividend

This is covered in more detail in Andy McLeod's Strategic Report. While the decline in turnover and profits relative to 2017 is disappointing, and partly unavoidable as a result of the severe weather early in the year, the margin performance remains encouraging and very credible relative to our peers. The balance sheet position is stronger and, most encouragingly the order book and outlook for 2019 is very healthy both in terms of value and spread of activities and geographies.

On this basis I am pleased to report that the Directors were in a position to pay a final dividend in September 2018 in respect of the year ended 31st December 2017 of 5 pence per share. In addition an interim dividend of 2 pence per share in relation to the year ended 31st December 2018 was paid in December 2018 (2017 – 2 pence). The Directors are intending to include a proposal for a final dividend on the Agenda for the AGM which will be issued in May 2019.

There were a number of other significant milestones achieved in 2018, including the launch of the first Tolent branded residential development for Tolent Homes at Sedgefield and of course the very exciting development at Seaham.

Outlook

As I have already mentioned we have started 2019 on a very positive note in terms of both order book and prospects. In addition, under Andy McLeod and Paul Webster's direction we have launched a new strategy for the group with some very exciting opportunities and ideas under consideration. We remain, however, very mindful of risk in assessing these avenues. Indeed we have recently begun an exercise to improve the rigour and consistent application of our risk management processes across the business with the aim of ensuring that they are fully embedded in our day to day operations. In conclusion in discussing the outlook I am very pleased to be able to confirm that we continue to benefit from the wholehearted support of our major shareholders.

The Tolent team

Finally would like to say what a privilege it is to chair a group with the very high quality team that we have at Tolent and on behalf of my board colleagues thank every member of that team for their efforts.

C. Anderson

Non Executive Chairman

17th April 2019

1. **Principal activities**

The Group is principally engaged in the construction industry in the United Kingdom. The Group is also involved in property development, including holding investment properties and properties used by member companies of the Tolent PLC group.

The Company is principally engaged in the activity of a holding company and the provision of management services to its subsidiaries.

2. **Business Review**

Overall review and results for the period

In 2018 the time required from project inception to a commencement on site lengthened with a number of projects moving into 2019 rather than commencing in 2018. This resulted in the reduced turnover in the year of £134m compared to £178m in 2017. However we started 2019 with a significant secured order book of £131m. This has now grown to £149m which the Directors believe will return the company to previously achieved activity and profit levels. The level of secured work allows the Company to select and negotiate more profitable contracts. The construction sector of the economy continues to remain highly competitive with some notable household names being forced to close in the current market. The Directors believe that the additional uncertainty created by the Brexit process will be successfully managed by the company and the industry as a whole. To mitigate this risk developers and contractors are being more selective in work taken on in terms of design information requirements, project timescales, overall risk and margin.

Operating margins, excluding investment property revaluations and discontinued operations, have reduced from £4.5m to £2.3m.

The overall loss on revaluation of investment properties was £550,000 (2017 loss £758,000). Of the 2018 revaluation provision, £460,000 related to the residential development held within Tolent Homes, based on the potential shortfall in recoverability of the property value in the regionally depressed market. The Group is looking to divest itself of this residential development and has classified this activity as discontinued in the statement of comprehensive income.

The continuing operations generated an operating profit of £2,230,000 in 2018 compared to £3,703,000 in 2017.

Net interest receivable this year of £3,000 compared to an interest payable of £23,000 in 2017. The continuing operations profit before tax of £2,279,000 compared to £3,680,000 in 2017.

The tax charge in the year of £281,000 is slightly lower than the underlying tax rate of 19% at an effective rate of 16.2% due to the use of brought forward trading losses for corporation tax purposes being utilised in the period.

The total comprehensive profit after tax of the continuing operations were £1,998,000 (£1,517,000 after discontinued operations) compared with a profit of £2,870,000 in 2017.

At the year end the Group had cash funds in hand of £11.7m compared with £18.4m at the end of 2017. It is worth noting that this figure is an integral part of the working capital of the business and is expected to fluctuate both up and down throughout the year depending upon the type and quantity of work in progress at any point in time. In addition to the above the Group had borrowings at the year end of £1.7m (2017: £2.2m) relating to investment properties.

Construction activities

Tolent Construction Limited

In 2018 Tolent continued to operate across the construction sector providing services in commercial building, civil engineering, social and domestic housing and property development, concentrating on its areas of strength and targeted markets which offered the most attractive future opportunities. Our objective is to continue to achieve our maximum potential in each of these activities by maintaining our focus on quality, value for money and delivering a service in a non-adversarial customer friendly manner.

Our success is underpinned by the quality of the people involved in our business together with subcontractors and suppliers who share our ethos of providing a pro-active and responsive service that meets our customers' demands. This policy has resulted in a high level of repeat business from an ever expanding customer base. Our belief that people are our most precious asset is supported by our commitment to training and personnel development. This will ensure that our long term objectives can be delivered to customers on a consistent basis. This is reflected in Tolent Construction Limited being ISO:9001- Quality Management System, accredited.

We operate from five offices on a national basis with work generated across a number of different sectors including industrial, commercial, residential, petro-chemical, specialist fit out, civil, public and health sectors. This affords some protection against any down turn in activity in certain markets with the regional spread giving some protection against regional variations. As in previous years we have successfully completed several major projects. The variety of work carried out can best be demonstrated by projects undertaken during the year, some of which continue as work in progress:

- An office block for Siglion in Sunderland (£7.8m)
- A high rise residential scheme in Newcastle (£25.8m)
- An industrial development at Follingsby (£6.4m)
- Hotels for Travelodge in London (£26.9m) and York (£4.4m)
- Residential schemes in London at Hackney Road (£25.3m) and Long Lane (£25m)
- A hotel for Hilton in Torquay (£19.3m)
- Civils work for propane storage in Teesside (£11m)
- A residential scheme for Housing 21 at Great Ayton (£7.9m)
- A new industrial unit for Omega Plc (£5m) and
- Sports and teaching facilities at The Beacon of Light in Sunderland (£16.6m)

Tolent Living Limited and Tolent Solutions Limited

The companies are principally engaged in building and construction activities in the residential and related markets including new build construction, refurbishment and maintenance of properties. Clients include a range of social housing providers, local councils and private residential developers. The projects undertaken during the year, some of which are ongoing, include:

- 82 units at North Shore Phase 3, Stockton (£10.6m)
- 5 units at Whitburn (£2.1m)
- A hotel in Amble (£4m)
- A number of schemes for Newcastle City Council (£20.6m)
- 120 units for Chapter Homes at Agnew (£15m)
- Salters Lane development 100 units (£21m)
- 73 units at Haughton Road for Karbon Homes (£8m)
- Gable and roofing works for Gentoo Group, Sunderland (£7m)
- Various residential Schemes for Livin (£1.9m)

The current residential market continues to be buoyant with housing, and particularly social housing, being prioritised by successive Governments.

Quality Assurance and Health and Safety

A programme of continuous improvement in Health and Safety management and staff training has resulted in an excellent safety record. This has been recognised by annual Order Of Distinction Awards from the Royal Society for the Prevention of Accidents (RoSPA). The Accident Frequency Rate (AFR) was 0.121 per 100,000 hours for 2018 (2017 - 0.034) with the Accident Incident Rate (AIR) being 232.3 (2017- 74.01) per 100,000 hours. These rates, while very slightly worse than last year, compare favourably with the national averages for the construction industry according to the Health and Safety Executive statistics of 358 per 100,000 hours (AIR). In 2018 5,392 (2017 - 5,932) 'off job' hours of health and safety training have been delivered with a total of approximately 518 (2017 - 495) site visits and audits being completed in addition to 26 Company Environmental Audits, 19 Asbestos Audits, 17 third party audits, 13 site visits from HSE Inspectors and 4 third party environmental audits.

We have maintained accreditation OHSAS 18001 for implementing, maintaining and continually improving our Occupational Health and Safety (OH&S) management system, ISO 14001 for our environmental management system and ISO 50001 for Energy Management.

Property development and investment activities

Ravensworth Properties Limited

Ravensworth operates in the office letting market at purpose built office parks. The standards being offered in the market place are continually reviewed with improvements being made where necessary to the property stock. The strategy is to secure tenants with good covenant strength for lease periods in excess of three years.

Tolent Living Limited and Tolent Solutions Limited occupy one office owned by Ravensworth and the continued success of these companies has a direct bearing on the results of Ravensworth. The Directors consider the result for the year to be satisfactory.

The space available to let in the year was 44,300 sq. ft. No new properties were acquired during 2018. The occupancy rate for 2018 was 87% (2017 - 87%). One unit (2 lettable areas) on the Team Valley Industrial Estate is currently vacant. The properties are being actively marketed and there continues to be interest in their letting.

The company has funding against the properties within Ravensworth in the form of a 3 year term loan, with interest and capital repayments. The loan expired in February 2019 with a new three year loan, expiring in February 2022 being agreed after the year end.

Tolent Homes Limited

We have 45 apartments in the Echo Buildings in Sunderland. The units are available for rental and we are pleased to report that a relatively high level of occupancy has been achieved throughout 2018. However, the Group has made the strategic decision to dispose of the apartments as they are not seen as core to the Group's activities. A downwards valuation movement of £560,000 has been made in the year.

Coolmore Land Limited

The company is principally engaged in the property development of a 200 acre site adjacent to the A19 in Seaham, North East England. The site has achieved outline planning permission for the construction of 1,500 residential units along with the provision of other facilities to create a Garden Village. 2019 will see the commencement on site of this development.

3. Key Performance Indicators

The Directors monitor a number of key performance indicators by which they measure business performance. These include the financial criteria of turnover, operating margin and profit before tax along with non-financial criteria of accident frequency rates, hours of health and safety training delivered and site visits and occupancy rates of the property operations.

4. Risks and uncertainties

Construction Risks

The key risks are the general market conditions which accompany the construction sector, loss making projects and ensuring the retention and recruitment of employees with appropriate skills. A more focused approach to work winning has been implemented and this is vital in such challenging market conditions. Further strengthening of risk management procedures and processes, particularly in relation to certain types of work, has contributed to progressing the target of reducing/eliminating loss making contracts. Action has been taken to ensure that all key positions at the business are occupied by employees with the required level of skills. Skill shortages and material price inflation continue to present challenges in the current market place and need to be managed in the tender and procurement process as well as in the production phase of contracts.

Property Risks

The property market, as shown over the last decade can be very volatile in terms of market values, rental incomes and occupancy rates. Risk analysis has now been built into project appraisals, including sensitivity analysis around rental streams, interest rates and yield factors. We have yet to determine the effects of increasing interest rates on both the commercial and residential markets, although the measured manner in which the increases have been signalled should hopefully reduce this impact.

5. Financial risk management objectives and policies

The Group uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the Group financial instruments are interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

The Group finances its operations through a mixture of retained profits, working capital and bank borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed on a Group basis.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through loans arranged at Group level.

Credit risk

The Group's principal financial assets are trade debtors and amounts recoverable on contracts. In order to manage the credit risk the Directors consider exposure on a customer by customer basis for significant contracts.

6. Employees

On behalf of the board of directors I would like to thank the Directors and all of the Group’s employees for their efforts during 2018.

7. Approval

The Board of Directors of Tolent PLC has approved the contents of this report for the year ended 31st December 2018.

BY ORDER OF THE BOARD

A. I. McLeod

Chief Executive Officer

17th April 2019

The Directors present their report together with the audited financial statements for the year ended 31st December 2018.

1. Results and dividends

The consolidated statement of comprehensive income is set out on page 10 and shows the result for the year. A final dividend of 5 pence per share was paid in September 2018 in respect of the year ended 31st December 2017. In addition an interim dividend of 2 pence per share in relation to the year ended 31st December 2018 was paid in December 2018 (2017 – 2 pence).

2. Directors

The Directors in office at the end of the year were Messrs C. Anderson, A. I. McLeod, P. W. Webster, A. D. Clark, O. A. J. Aebi and I. M. Lawson. Messrs A. I. McLeod and P. W. Webster were appointed on 13th March 2018. Messrs C. Anderson and I. M. Lawson were appointed on 1st May 2018 with Mr. C. Anderson being appointed as Non Executive Chairman on 5th June 2018. The following resignations occurred during the year - Mr T Phillipson 31st March 2018, Mr. P. K. Hems 5th June 2018 and Messrs J. G. Wood and A. W. Ospelt on 31st December 2018.

In accordance with the articles of association, which require one third of the Directors to retire each year, but not exceeding one third, Mr. A. D. Clark and Mr. I. M. Lawson retire by rotation and offer themselves for re-election.

The interests of the directors in shares of the company were as follows:-

	Tolent PLC ordinary 10p shares	
	31st December 2018	1st January 2018
A.D. Clark	65,856	51,956

3. Disabled persons

The Group's policy is to give sympathetic consideration, in both recruitment and training, to the problems of the disabled, and to assist them in developing their knowledge and skills to undertake greater responsibilities wherever possible.

4. Employee involvement

It is Group policy to disseminate relevant information about Group affairs amongst employees which included the launch of the Company's internal "in.sider" magazine in September 2018.

5. Substantial shareholdings

On 17th April 2019 the following shareholders had interests of 5% or more in the issued ordinary shares of the Company:

	Number	Percentage
Gutenga Investments PCC Limited	6,411,318	49.96%
Tarom Foundation	3,129,253	24.39%

6. Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report and the Report of the Directors and the Group financial statements in accordance with applicable law and regulations.

The Directors are responsible for preparing the Report of the Directors 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 laws, 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 and 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, to make judgements and accounting estimates that are reasonable and prudent, to state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and to 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.

The Directors confirm that so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

7. Auditors

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

8. Approval

The board of directors of Tolent PLC has approved the contents of this report and financial statements for the year ended 31st December 2018.

BY ORDER OF THE BOARD

A.D. Clark
Secretary
17th April 2019

We have audited the financial statements of Tolent PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise Consolidated statement of comprehensive income, Consolidated and parent company statement of financial position, Consolidated statement of changes in equity, Parent company statement of changes in equity, Consolidated statement of cash flows and notes to the financial statements, 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 Financial Reporting Standard 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 31st December 2018 and of the group's 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 group and the parent 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

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. 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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 report of the directors.

Matters on which we are required to report by exception

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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7 and 8, 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

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.

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.

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
17th April 2019

TOLENT PLC

Consolidated statement of comprehensive income for the year ended 31st December 2018

	Note	2018 Continuing operations £'000	2018 Discontinued operations £'000	2018 Total £'000	2017 Total £'000
Group Revenue		133,411	313	133,724	178,413
Raw materials and consumables		(10,026)	0	(10,026)	(10,655)
Sub contract and other direct costs		(95,247)	0	(95,247)	(138,150)
		28,138	313	28,451	29,608
Staff costs	6	(22,566)	0	(22,566)	(22,024)
Depreciation	10	(174)	0	(174)	(230)
Amortisation	12	(248)	0	(248)	0
Other operating charges		(2,830)	(288)	(3,118)	(2,893)
		2,320	25	2,345	4,461
Loss from revaluation of investment property	11	(90)	(460)	(550)	(758)
Operating Profit before interest		2,230	(435)	1,795	3,703
Interest Receivable	7	76	0	76	66
Interest payable	7	(27)	(46)	(73)	(89)
Profit before taxation	5	2,279	(481)	1,798	3,680
Taxation	8	(281)	0	(281)	(763)
Profit after taxation		1,998	(481)	1,517	2,917
Other comprehensive income:					
Leasehold properties fair value movement		0	0	0	(47)
Other comprehensive loss, net of tax		0	0	0	(47)
Total comprehensive profit for the year		1,998	(481)	1,517	2,870

There were no discounted operations in 2017.

Notes 1 to 28 form part of these financial statements.

TOLENT PLC

Consolidated statement of changes in equity for the year ended 31st December 2018

	Share Capital	Other Reserve	Revaluation Reserve	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1st January 2017	1,283	(256)	799	4,834	6,660
Profit after taxation for the year	0	0	0	2,917	2,917
Reserve transfer	0	0	(31)	31	0
Other comprehensive income:					
Revaluation of leasehold properties	0	0	(47)	0	(47)
Total comprehensive income and expense for the year	0	0	(78)	2,948	2,870
Equity dividends paid	0	0	0	(249)	(249)
Transactions with owners	0	0	0	(249)	(249)
At 31st December 2017	1,283	(256)	721	7,533	9,281
At 1st January 2018	1,283	(256)	721	7,533	9,281
Profit after taxation for the year	0	0	0	1,517	1,517
Reserve transfer	0	0	(31)	31	0
Total comprehensive income and expense for the year	0	0	(31)	1,548	1,517
Equity dividends paid	0	0	0	(873)	(873)
Transactions with owners	0	0	0	(873)	(873)
At 31st December 2018	1,283	(256)	690	8,208	9,925

Notes 1 to 28 form part of these financial statements.

TOLENT PLC

Consolidated and parent company statement of financial position as at 31st December 2018

	Note	Group 2018 £'000	Group 2017 £'000	Parent Company 2018 £'000	Parent Company 2017 £'000
Assets					
Fixed Assets					
Investments	13	0	0	9,767	9,767
Tangible assets	10	2,631	2,740	0	0
Investment properties	11	4,320	8,505	0	0
Intangible assets	12	2,237	2,485	0	0
		9,188	13,730	9,767	9,767
Current Assets					
Investments	14	0	1,256	0	0
Cash at bank and in hand	24	11,746	18,355	83	36
Inventory	15	6,258	3,519	0	0
Assets held for sale		3,600	300	0	0
Debtors	16	22,495	29,262	7,764	8,166
		44,099	52,692	7,847	8,202
Creditors: amounts falling due within one year	19	42,515	56,273	14,418	14,998
Net current assets/(liabilities)		1,584	(3,581)	(6,571)	(6,796)
Total Assets less current liabilities		10,772	10,149	3,196	2,971
Creditors: amounts falling due after more than one year	20	709	685	0	0
Provision for liabilities	18	138	183	0	0
Net Assets		9,925	9,281	3,196	2,971
Equity					
Share capital	22	1,283	1,283	1,283	1,283
Capital reserve	23	0	0	528	528
Revaluation reserve	23	690	721	0	0
Other reserve	23	(256)	(256)	(256)	(256)
Profit and loss account	23	8,208	7,533	1,641	1,416
Total Equity		9,925	9,281	3,196	2,971

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit for the year was £1,098,000 (2017: £1,232,000).

The financial statements were approved and authorised by the Board of Directors on 17th April 2019.

A. I. MCLEOD Director

A.D. CLARK Financial Director

Notes 1 to 28 form part of these financial statements.

Company Number 03819314

TOLENT PLC

Parent company statement of changes in equity for the year ended 31st December 2018

	Share Capital	Other Reserve	Capital Reserve	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1st January 2017	1,283	(256)	528	433	1,988
Equity dividends paid	0	0	0	(249)	(249)
Transactions with owners	0	0	0	(249)	(249)
Profit after taxation for the year	0	0	0	1,232	1,232
Total comprehensive income and expense for the year	0	0	0	1,232	1,232
At 31st December 2017	1,283	(256)	528	1,416	2,971
At 1st January 2018	1,283	(256)	528	1,416	2,971
Equity dividends paid	0	0	0	(873)	(873)
Transactions with owners	0	0	0	(873)	(873)
Profit after taxation for the year	0	0	0	1,098	1,098
Total comprehensive income and expense for the year	0	0	0	1,098	1,098
At 31st December 2018	1,283	(256)	528	1,641	3,196

Notes 1 to 28 form part of these financial statements.

TOLENT PLC

Consolidated statement of cash flows for the year ended 31st December 2018

	2018	2017
	£'000	£'000
Cash flows from operating activities		
Profit after taxation	1,517	2,917
Fair value decrease in investment properties	550	758
Taxation charge recognised in statement of comprehensive income	281	763
Finance income and cost	(3)	23
Depreciation on property, plant and equipment	174	230
Amortisation on intangible assets	248	0
Decrease/(increase) in trade and other receivables	7,446	(1,309)
Increase in amounts recoverable on contracts	(773)	(518)
Increase in inventory	(2,739)	0
Decrease in trade and other payables	(12,915)	(7,112)
(Decrease)/increase in provisions	(45)	5
Cash used in operations	(6,259)	(4,243)
Finance cost paid	(73)	(89)
Tax paid	(505)	(43)
Net cash used in operating activities	(6,837)	(4,375)
Cash flows from investing activities		
Purchase of subsidiaries (gross of cash/overdraft)	0	(520)
Purchase of property, plant and equipment	(65)	(49)
Sale of investment property	335	620
Repayments of cash held for bond deposits	1,256	0
Cash on acquisition	0	17
Finance income received	76	66
Net cash generated from investing activities	1,602	134
Cash flows from financing activities		
Dividends paid	(873)	(249)
Repayment of borrowings	(501)	(894)
Net cash used in financing activities	(1,374)	(1,143)
Net decrease in cash and cash equivalents	(6,609)	(5,384)
Cash and cash equivalents at beginning of period	18,355	23,739
Cash and cash equivalents at end of period	11,746	18,355

Notes 1 to 28 form part of these financial statements.

1. **Company information**
Tolent PLC ("the company") is the holding company for a group of construction and property companies involved in civil engineering and building across a variety of industrial/commercial/residential sectors and geographical regions, along with property development and rental.
The company is a public company limited by shares and is incorporated and domiciled in England. The registered office is Ravensworth House, 5th Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0HF

2. **Basis of preparation**
These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for the revaluation of long leasehold properties held within investment properties and within property, plant and equipment.

The group financial statements consolidate the financial statements of Tolent PLC and all its subsidiary undertakings drawn up to 31st December each year. The financial statements are presented in Sterling (£'000).

The individual accounts of Tolent PLC have also adopted the following disclosure exemptions:

- The requirement to present a statement of Cash flows and related Notes
- financial instrument disclosures, including:
    categories of financial instruments
    items of income, expenses, gains or losses relating to financial instruments, and
    exposure to and management of financial risks.
- the requirement to disclose the total compensation of key management

Going Concern

The financial statements have been prepared on a going concern basis. Each year management produces a year ahead detailed budget and a second year operational forecast which includes secured and probable order books, analysis of forecast work between region, work sector and negotiated and tendered work, detailed overhead review, forecast income statements, cash flow summaries and statements of financial position. Rolling forecasts for the remainder of the year, including secured and probable workloads are produced monthly throughout the year. These form the basis of the monthly management accounts and board pack reviewed by the board. In addition to the detailed budget and forecast, a five year strategic plan has been developed to ensure the continued success of the Group.

The working capital requirements of the Group are satisfied by a number of loans as detailed in note 20 which are secured against specific properties. Management are confident that these facilities can be maintained and renewed or increased when they become due. The cash position of the Group has remained robust and allowed further investment in the Group's future, with the budget and plans noted above indicating this will continue.

The Directors believe that the current market conditions are generally stable although there is still caution about what the actual impact of Brexit will be due to the uncertainty regarding a “soft” or “hard” Brexit. Funding from new sources of finance outside the traditional banks is increasing in the market place. There is still strong demand and funding available for student accommodation, hotels, medical centres and the renewable energy sectors which have been successfully targeted over the last few years. The level of enquiries remains high, particularly in the residential sector which is benefitting from continual Government focus. The tender margins have stabilised but care is needed to avoid the client imposing undue risk onto the contractor and the risk of inflation in the industry.

Having considered the above, management's view is that the Group will be able to continue as a going concern and manage its business successfully into the future.

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Judgements

Construction contract revenue

The stage of completion of any construction contract is assessed by management by taking into consideration all information available at the reporting date. In this process management makes significant judgements about milestones, actual work performed and the estimated costs to complete the work. Further information on the Group's accounting policy for construction contracts is provided in note 4m.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit and loss. The group engaged independent valuation specialists to determine their fair values at the reporting date. The valuers used recognised valuation techniques. The determined fair values of the investment properties are sensitive to the estimated yields and the occupancy rates.

Critical accounting estimates

One area of critical accounting estimate relates to the carrying value of Echo Buildings held within Tolent Homes Limited. The 45 apartments are let on short term tenancies. There was a downward valuation movement of £460,000 in the year. They have been transferred from investement properties to assets held for sale following the Directors' decision to dispose of the property. This property was utilised in residential lettings, and as such these activities have been classified as discontinued in the financial statments (see note 28). Management believe, taking into account independent advice received, that the remaining apartments can be sold at levels at least equal to what they are currently carried at in the financial statements.

4. Principal accounting policies

4a Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

4b Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill.

4c Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

4d Tangible assets

The Group's long leasehold properties included within property, plant and equipment are used by the Group's trading companies. Long leasehold properties are recognised at cost which includes purchase cost and any directly attributable expenditure.

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any borrowing costs capitalised.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land and investment properties, over their expected useful lives, using the straight-line method. The rates applicable are:

Long leasehold properties	calculated to write off the value of these properties over the shorter of the lease period or remaining useful lives.
Plant and equipment	25% - 50%

4e Intangible assets

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash generating units ("CGU's") that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

4f Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit and loss.

If any impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

4g Investment Properties

Long leasehold properties included as investment properties are held for long term return. Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in profit and loss.

4h Investments (Current Assets)

In certain cases cash is held at third party bank accounts as security for the provision of Performance Bonds on specific projects undertaken in the normal course of the company's construction activities.

4i Inventory

Inventory relates to land acquired for future development and developments currently under construction which is stated at the lower of cost and net realisable value.

4j Cash at bank and in hand

Cash comprises cash on hand and demand deposits.

4k Assets held for sale

Assets awaiting sale are held at the lower of cost and net realisable value.

4l Debtors

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

4m Construction Contracts

Contract revenue reflects the contract activity during the year and is measured at the fair value of consideration received or receivable. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by reference to the value of work remaining as a proportion of the total contract value.

Where the outcome of a long term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

Variations are only recognised as revenue when they have been agreed with the customer. Claims are not recognised until negotiations are at an advanced stage such that it is probable that the customer will accept the claim and the amount that it is probable will be accepted by the customer can be measured reliably.

In the case of a fixed price contract, the outcome of a construction contract is deemed to be estimated reliably when all the following conditions are satisfied:

- total contract revenue can be measured reliably;

- it is probable that economic benefits associated with the contract will flow to the group;

- both the contract costs to complete the contract and the stage of completion at the balance sheet date can be measured reliably; and

- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the Group, and the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

The gross amount due from customers for contract work (amounts recoverable on contracts) is presented as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The gross amount due to customers for contract work is presented as a liability for all contracts in progress for which billings exceed costs incurred plus recognised profits (less losses).

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

4n 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 measured subsequently at amortised cost using the effective interest method.

4o Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Where the Group is the lessor, assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4p Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Timing of the outflow may still be uncertain.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the Group's management.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

The Group recognises a provision for legal, insurance and other claims by customers. Anticipated reimbursements by third parties relating to these claims are disclosed within prepayments and accrued income. This asset may not exceed the amount of the related provision.

4q Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The tax expense/(income) is presented either in the profit or loss, other comprehensive expense/(income) or equity depending on the transaction that resulted in the tax expense/(income).

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits. Deferred tax is calculated 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. Deferred tax assets and liabilities are not discounted.

Deferred tax is recognised when income or expenses from a subsidiary have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and

- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributable to goodwill is adjusted by the amount of deferred tax recognised.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on timing differences associated with shares in subsidiaries is not provided if reversal of these timing differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

The tax charge on underlying business performance is calculated by reference to the estimated effective rate for the full year. Tax on disposals and other exceptional items is based on the expected tax impact of each item.

4r Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from contracting, property development and rental income.

- in the case of contracting, see note 4m above;

- in the case of property development sales, revenue is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the property which is generally when title passes to a buyer, upon completion;

- in the case of rental income, revenue relates to operating lease income which is recognised (net of any incentives given to lessees) on a straight line basis over the lease term.

4s Employee Benefits

The company operates a defined contribution scheme for its employees. Contributions to this scheme are recognised as an expense in the period in which they are incurred. Other short term employee benefits are also recognised as an expense in the period in which they are incurred.

4t Borrowing costs

The Group currently incurs borrowing costs in subsidiary companies. Those borrowing costs which are directly attributable to development contracts undertaken by the subsidiaries during the development phase are capitalised as part of the construction contract balances within the subsidiaries. Upon completion of the development contract borrowing costs are charged through the income statement. Other borrowing costs are charged directly through the income statement.

4u Employee Share Ownership Trust

The Group's Employee Share Ownership Trust ("ESOT") is a separately administered trust. The assets of the ESOT comprise shares in the company and cash. The assets, liabilities, income and costs of the ESOT have been included in the Group financial statements. The shares in the company are included at cost to the ESOT and deducted from shareholders' funds and dividend income is excluded in arriving at profit before tax and deducted from the aggregate of dividends paid and proposed.

4v Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in a general meeting prior to the balance sheet date.

4w Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Other reserve" represents the purchase cost of shares held within the Employee Share Ownership Trust (ESOT)
- "Profit and loss reserve" represents retained profits.
- "Revaluation reserve" represents fair value adjustments in respect of properties.

5. Profit before taxation

All of the Group's revenue and profits originate in the United Kingdom.

Profit before taxation is stated after:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	24	20
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	59	55
Other employer and corporate services and services pursuant to legislation	9	16
Tax Services	19	15
	111	106
Depreciation	174	230
Amortisation of goodwill	248	0
Operating lease charges:		
hire of plant and machinery	3,434	3,177
land and buildings	410	460
other operating leases	441	507

6. Staff costs

Group

Staff costs during the year including key management:

	2018	2017
	£'000	£'000
Wages and salaries	19,106	18,607
Social security	2,075	2,083
Pension costs	1,385	1,334
	22,566	22,024

The Group operates a defined contribution pension scheme for certain employees and directors, the assets of which are invested with insurance companies. Pension payments recognised as an expense of the Group during the year was £1,385,000 (2017 - £1,334,000).

The average number of employees of the Group during the year was 425 (2017 - 418). All of these employees are engaged in construction activities. Key management is considered to be Directors.

Remuneration in respect of key management was as follows:

	2018	2017
	£'000	£'000
Aggregate emoluments	953	746
Social security	124	95
Company pension contributions to a defined contribution scheme	34	23
Payment to third parties for directors' services	11	12

During the year two directors (2017 - one director) participated in a defined contribution pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2018	2017
	£'000	£'000
Aggregate emoluments	263	256
	263	256

Company

Remuneration in respect of three of the directors of the parent company have been incurred by a subsidiary company. The average number of employees of the parent company during the year was 8 (2017 - 6). Staff costs, relating solely to parent company Directors remuneration are as follows:

	2018	2017
	£'000	£'000
Wages and salaries	97	62
Social security	8	4
	105	66
Payment to third parties for directors' services	11	12

7. Net Interest

	2018	2017
	£'000	£'000
Interest receivable on bank balances	76	66
Interest payable on bank loans	(73)	(89)
	3	(23)

8. Taxation

The tax charge represents:

	2018	2017
	£'000	£'000
Corporation tax at 19% (2017 - 19.25%)	187	300
Adjustment in respect of prior years	0	(2)
Total current tax	187	298
Deferred taxation	94	465
Tax on profit on ordinary activities	281	763

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19% (2017 - 19.25%). The differences are explained as follows:

	2018	2017
	£'000	£'000
Profit on ordinary activities before taxation:	1,798	3,680
Multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017 - 19.25%)	342	709
Effects of:		
expenses not deductible for tax purposes	83	71
deferred tax not provided	9	24
movement on property valuation	107	145
utilisation of brought forward losses	(259)	(203)
deferred tax not provided on trading losses	0	34
sale of non qualifying assets	(11)	(16)
ESOT dividend income	10	1
adjustments to tax charge in respect of prior years	0	(2)
Tax on profit on ordinary activities	281	763

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £Nil (2017 - £Nil).

At the Budget 2016, the Government announced a reduction to the main rate of corporation tax to 17% from 2020.

9. Dividends

	2018	2017
	£'000	£'000
Interim dividend in respect of 2018 of 2p (2017 - 2p) per 10p ordinary share	256	256
Final dividend in respect of 2017 of 5p (2016 - nil) per 10p ordinary share	642	0
Dividends received by ESOT Trust	(25)	(7)
	873	249

10. Tangible Fixed assets

Group

	Property, plant and equipment		
	Long leasehold properties	Plant, equipment and vehicles	Total
	£'000	£'000	£'000
Cost or valuation			
At 1st January 2018	2,925	1,040	3,965
Additions	0	65	65
At 31st December 2018	2,925	1,105	4,030
Depreciation			
At 1st January 2018	234	991	1,225
Charge for year	117	57	174
At 31st December 2018	351	1,048	1,399
Net book value at 31st December 2018	2,574	57	2,631
Net book value at 31st December 2017	2,691	49	2,740

11. Investment properties

Group	Long leasehold properties
	£'000
Cost or valuation	
At 1st January 2018	8,505
Disposals	(335)
Fair value adjustment	(550)
Transfer to assets held for sale	(3,300)
At 31st December 2018	4,320
Book value at 31st December 2018	4,320
Book value at 31st December 2017	8,505

The long leasehold and investment properties were revalued in October and December 2018 by Dove Haigh Phillips and Gavin Black & Partners, respectively, being independent valuers with recognised and relevant professional qualifications and with recent experience in the locations of the investment properties being valued. The valuers were not officers or employees of the company. The basis of the valuation was in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. on an open market basis. This resulted in an upward valuation on three investment properties of £70,000, and a downward movement of £620,000 on a further two investment properties. One of these properties, with a revised value of £3,300,000 has now been transferred to assets held for sale following the Directors' decision to dispose of the property. The Directors consider that this valuation continues to reflect the value at the balance sheet date. The investment property valuation has been incorporated in the above figures.

If the investment properties had not been revalued they would have been included on an historical cost basis with a net book value of £5,778,000 (2017 - £15,064,000). This follows disposals in the year with an historic cost of £622,000, and transfers out with an historic cost of £8,664,000.

12. Intangible assets

Group	Goodwill
	£'000
Cost	
At 1st January and 31st December 2018	2,098
Amortisation	
At 1st January 2018	387
Charge for year	(248)
At 31st December 2018	139
Net book value at 31st December 2018	2,237
Net book value at 31st December 2017	2,485

Goodwill amortised in the year relates to Coolmore Land Limited which is currently being amortised over a 10 year period representing the likely development period of the land held within that company.

13. Investments (Fixed Assets)

Company

	2018	2017
At cost	£'000	£'000
At start of the year	11,767	9,747
Additions	0	2,020
At end of the year	11,767	11,767
Impairment		
At start of year	(2,000)	(2,000)
Net Book amount at end of the year	9,767	9,767

All group companies have only ordinary shares in issue and are registered in England and Wales.
The subsidiary undertakings are as follows:

	Activity	Proportion of shares held by	
		Group	Company
		%	%
Tolent Construction Limited	Building & civil engineering	100	100
Tolent Homes Limited	Property investment	100	100
Coolmore Land Limited	Property Development	100	100
Tolent Corporation Limited	Dormant	100	100
T Holdings Limited	Dormant	100	100
Ravensworth Properties Limited	Property investment	100	0
Tolent Living Limited	Residential Property Construction	100	0
Tolent Solutions Limited	Residential Property Construction	100	0

14. Investments (Current Assets)

Group

	2018	2017
	£'000	£'000
Cash held at third party bank accounts	0	1,256

Cash is held at third party bank accounts as security for the provision of Performance Guarantee Bonds on specific projects undertaken in the normal course of the Group's construction activities.

15. Inventory

Inventory relates to land purchased for future development and current developments under construction. These are considered to be inventory and are stated at the lower of cost and net realisable value. The directors are of the opinion that the true value of the inventory is significantly higher than the current £6,258,000 (2017: £3,519,000).

16. Debtors

Group

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Trade receivables	7,640	15,291
Other receivables	1,954	1,727
Prepayments and accrued income	849	871
Amounts recoverable on contracts	11,932	11,159
	22,375	29,048
Amounts falling due after more than one year		
Deferred taxation	120	214
	120	214
Total debtors	22,495	29,262

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £297,000 (2017: £220,000) has been recorded accordingly. The impaired trade receivables are due from customers in the Group's construction and property operations business segments.

Company

	2018	2017
	£'000	£'000
Other Debtors	1,182	1,184
Amounts owed by group undertakings	6,462	6,768
Deferred taxation	120	214
	7,764	8,166

The amounts owed by group undertakings are repayable on demand with interest being charged at rates between 0% and 4%

17. Deferred taxation asset

Deferred taxation provided for at 17% (2017 - 17%) on unused tax losses in the financial statements is set out below.

Group

	2018	2017
	£'000	£'000
At 1st January 2018	214	330
Charge to statement of comprehensive income	(57)	(81)
Rate change (2017 19% to 17%)	0	(35)
Adjustment in respect of prior years	(37)	0
	120	214
Unused tax losses - non current	120	214

Deferred taxation has been calculated at 17% (2017 - 17%) on timing differences relating to tangible fixed assets and other revenue and expense items. This deferred tax asset has not been recognised in the financial statements.

	2018	2017
	£'000	£'000
Accelerated capital allowances	28	52
Other items of revenue and expense	13	45
Unused tax losses	970	1,252
	1,011	1,349

Company

	2018	2017
	£'000	£'000
At 1st January 2018	214	330
Credit to statement of comprehensive income in the year	(57)	(81)
Rate change (2017 19% to 17%)	0	(35)
Adjustment in respect of prior years	(37)	0
	120	214
Deferred tax balances relate to temporary differences as follows:		
Unused tax losses - non current	120	214
	120	214

18. Provisions

Group

	2018	2017
	£'000	£'000
Other provisions due within one year		
Brought forward at 1 January 2018	183	178
Additional provisions	154	148
Amount utilised/released	(199)	(143)
Carried forward at 31 December 2018	138	183
Due within one year	138	183
	138	183

Other provisions are provided against various legal, insurance and other claims by customers. The Group anticipates to be reimbursed £152,000 by third parties in relation to these claims which has been included within prepayments and accrued income. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

19. Creditors : Amounts falling due within one year

Group

	2018	2017
	£'000	£'000
Trade creditors	31,222	39,623
Payments received on account	6,547	11,458
Social security and other taxes	889	1,001
Other creditors	2,165	1,645
Accruals and deferred income	639	650
Current taxation	26	344
Bank and other loans	1,027	1,552
	42,515	56,273

Company

	2018	2017
	£'000	£'000
Trade creditors	19	27
Other creditors	1,522	1,531
Amounts owed to group undertakings	12,849	13,440
Current taxation	28	0
	14,418	14,998

The amounts owed to group undertakings are repayable on demand with interest being charged at rates between 0% and 4%.

All trade and other payables are short term. The carrying values are considered to be a reasonable approximation of fair value.

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

Group

	2018	2017
	£'000	£'000
Bank and other loans	709	685
	709	685
Aggregate amounts repayable by instalments:		
within one year	1,027	1,552
between one and two years	268	685
between two and five years	441	0
	1,736	2,237

The loans are secured by legal charges over buildings included within investment properties and inventory. They are interest and capital repayment loans with repayment dates from 2019 to 2022. Interest rates vary between 2.25% and 3.5% over 3 month bank LIBOR rate.

One loan for £771,000, disclosed as falling due within one year, was renewed on 15th February 2019 for a further three year term, expiring in February 2022. Interest is payable on this loan at 2.5% (2.25%) over 3 month bank Libor rate.

21. Financial instruments

The Group is primarily engaged in construction activities in the UK.

The Group uses financial instruments, other than derivatives, comprising borrowings, cash and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group financial instruments are interest rate, liquidity and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below together with a sensitivity analysis. These policies have remained unchanged from previous years.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group mixes the duration of its deposits and borrowings to reduce the impact of interest rate fluctuations. Subsidiary bank balances and borrowings are managed centrally to keep within agreed facilities across the Group and to reduce interest costs.

At 31 December 2018 the Group is exposed to changes in the market interest rates through its bank borrowings within the Group and within the joint ventures. An interest rate movement of 0.5% would have an approximate impact of £9,000 per annum on profit based on the borrowings of the subsidiaries within the Group at 31 December 2018. However as the Group has positive cash balances in its subsidiaries these would counter any movement in the borrowing interest cost.

Liquidity risk

The Group seeks to manage financial risk by ensuring liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30-day projection. Long term liquidity needs are identified monthly.
Short term flexibility is achieved by cash deposits and other facilities. Longer term projects are financed by medium and longer term loans depending on the project.

Financial Instruments measured at fair value

The Group does not have any financial instruments held at fair value. The Group holds non financial assets held at fair value being investment property which is included at valuation is detailed in note 11.

Group	2018	2017
	£'000	£'000
Financial assets and liabilities held at amortised cost		
Current assets		
Trade and other receivables (excluding prepayments and accrued income)	9,594	17,018
Investments (Current Assets)	0	1,256
Inventory	6,258	3,519
Cash and cash equivalents	11,746	18,355
Loans and receivables	27,598	40,148
Non current liabilities		
Bank Loans	709	685
	709	685
Current liabilities		
Trade payables	31,222	39,623
Payments received on account	6,547	11,458
Other payables	2,165	1,645
Bank loans	1,027	1,552
Accruals	639	650
Other financial liabilities	41,600	54,928
Net financial liabilities	(14,711)	(15,465)
Non financial assets and liabilities		
Property, plant and equipment	2,631	2,740
Investment properties	4,320	8,505
Intangible assets	2,237	2,485
Assets held for sale	3,600	300
Current taxation	(26)	(344)
Prepayments and accrued income	849	871
Provisions	(138)	(183)
Amounts recoverable on contracts	11,932	11,159
Social security and other taxes	(889)	(1,001)
Deferred taxation	120	214
Non financial assets	24,636	24,746
Total Equity	9,925	9,281

22. Share capital

Group and Company

	2018		2017	
Equity	Number of shares	£'000	Number of shares	£'000
Allotted and fully paid ordinary shares of 10p each	12,832,626	1,283	12,832,626	1,283

23. Reserves

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

Profit and loss account - includes all current and prior period retained profits and losses. The Group's profit and loss reserve is further analysed between distributable and non-distributable as follows:

	2018	2017
	£'000	£'000
Distributable profit and loss reserve	7,790	7,115
Non - distributable profit and loss reserve	418	418
	8,208	7,533

The whole of the parent company profit and loss account is distributable.

Revaluation reserve - represents the fair value changes relating to long leasehold properties held at valuation represented as other comprehensive income or expense in the consolidated statement of comprehensive income.

The Capital reserve relates to a merger reserve which arose on the issue of shares in respect of the Group's interest in the subsidiary undertakings demerged from Amco Corporation plc in 1999.

Other reserves - ESOT

The Employee Share Ownership Trust ("the Trust") was established by a Deed in February 2003 made between the Company and Gutenga Holdings Limited ("the Trustees"). The Trust was established for the benefit of the bona fide employees of the Company and other Group companies ("the Beneficiaries"). The Trust is a Discretionary Trust whose assets are cash and shares in the Company and the Trustees have full authority and power to distribute such cash and shares as they deem fit, to the Beneficiaries.

As of 31st December 2018 the Trust held 365,000 (2017 - 365,000) ordinary shares of 10p each in the capital of the Company (2.84% of the allotted share capital).

The market value of the shares in the ESOT at 31st December 2018 based on the latest Matched Bargain trade was £73,000 (2017 - £84,000).

24. Analysis of cash at bank and in hand and bank and other loans

Group

	2018	2017
	£'000	£'000
Cash at bank and in hand	11,746	18,355
Bank and other loans due within one year	(1,027)	(1,552)
	10,719	16,803
Bank and other loans due after more than one year	(709)	(685)
	10,010	16,118

Company

	2018	2017
	£'000	£'000
Cash at bank and in hand	83	36
	83	36

25. Operating lease obligations

Group

Total commitments to operating lease payments are as follows:

	Land & buildings	Other
	£'000	£'000
In respect of leases expiring:	2018	
within one year	163	432
between one and five years	390	488
	553	920
	2017	
within one year	118	400
between one and five years	122	326
	240	726

26. Contingent liabilities

Company

The company is party to cross guarantees for the bank borrowings of Ravensworth Properties Limited, Tolent Corporation Limited, Tolent Construction Limited, Tolent Homes Limited, T Holdings Limited, Tolent Living Limited and Tolent Solutions Limited.

At 31 December 2018 this amounted to £nil (2017 - £nil).

The Company provides guarantees to subsidiary companies in the normal course of business to guarantee the contractual obligations of subsidiary companies. The Directors have determined that no specific provision is required for these guarantees.

27. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Company has a common director with Billington Holdings PLC, Mr. I. M. Lawson. No trade occurred between the Company or the Group and Billington Holdings PLC and there were no payables/receivables at 31st December 2018.

At 31st December 2018 an amount of £1,174,000, which includes accrued interest of £14,000 is included within the company's other debtors relating to advances made Gutenga Investments PCC Limited, a substantial shareholder in Tolent PLC.

Transactions amounting to £4,000 (2017 - £56,000) at normal market rates were carried out between the Group and an entity owned by one of the substantial shareholders of Tolent PLC. At 31st December 2018 an amount of £330,000 due from this entity was included within other receivables.

28. Discontinued activities

One property with a carrying value of £3,300,000 has been transferred to assets held for sale following the Directors' decision to dispose of the property. This property was utilised in residential lettings, and as such these activities have been classified as discontinued in the financial statments.