



CO-25860-2396501  
GIBRALTAR JOINERY AND BUIL  
Document 461 (25)  
ANNUAL FILING OF ACCOUNTS  
YEAR ENDING 31/12/2016

**Gibraltar Joinery and Building Services Limited**

**Annual report  
for the year ended 31 December 2016**

**Registered number: GICO.25860-78**



**For and on behalf of**

**GOC (Secretaries) Limited**

# **Gibraltar Joinery and Building Services Limited**

## **Annual report for the year ended 31 December 2016**

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**Statutory information**

**Company's registered number**

GICO,25860-78

**Directors**

M Estella  
W A Crisp  
Gibraltar Investment (Directors) Limited

**Company Secretary**

C Victory (Resigned on 23 October 2016)  
GoC (Secretaries) Limited (Appointed on 23 October 2016)

**Auditors**

PwC Gibraltar ("PricewaterhouseCoopers Limited")  
327 Main Street  
Gibraltar  
GX11 1AA

**Registered office**

206 - 210 Main Street  
Gibraltar  
GX11 1AA

**Principal bankers**

The Royal Bank of Scotland International Limited (trading as "NatWest")  
National Westminster House  
57 Line Wall Road  
Gibraltar  
GX11 1AA

**Directors' report for the year ended 31 December 2016**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

**Principal activities**

Gibraltar Joinery and Building Services Limited ("the company" or "GJBS") is registered in Gibraltar as a private company limited by shares and its principal activity during the year was that of building and joinery contractors.

**Review of business and future developments**

During the year under review the Company's turnover reached £77,739,312. This represented a significant reduction in comparison to the previous year's turnover of £136,572,458, the decrease mainly attributed to the completion of several major projects during 2015 and early 2016. No major projects commenced during 2016 other than half a dozen middle sized projects on behalf of the Education Department, carried out during the summer of 2016, and the new Port Tower at Lathbury Barracks. Nevertheless, the company continued working on several major projects such as Project Euston, Laguna Estate refurbishment and the Mid-Town development.

Given the vast reduction in turnover during 2016 and considering the projects that the company is envisaged to tackle during 2017, a slight increase in turnover is envisaged for the following year.

**Results and dividends**

The company made a profit during the year of £620,181 (2015: £3,215,713). No dividends were declared or paid during the current or preceding year.

The company's profit was transferred to reserves which stood at a surplus of £8,430,970 (2015: £7,810,789) as at 31 December 2016.

**Key performance indicators ("KPIs")**

The company uses a number of financial indicators to assess its performance. These indicators are categorised into profitability, financial strength and the effectiveness of the company. Where there are indications that the performance of the company is deteriorating, remedial action is taken. The financial indicators are shown below:

	2016	2015	2014
<b>Profitability</b>			
Gross profit margin	1.45%	3.96%	2.64%
Net profit before tax margin	0.92%	2.62%	0.87%
<b>Financial strength</b>			
Current ratio	1.54	1.31	1.12
Quick ratio	1.53	1.29	1.11
<b>Effectiveness</b>			
Return on capital employed	7%	41%	16%

**Directors' report for the year ended 31 December 2016 - continued****Directors**

The directors who held office during the year and up to the date of signing these financial statements are given below:

M Estella  
W A Crisp  
Gibraltar Investment (Directors) Limited

**Financial risk management objectives and policies**

Information on the use of financial instruments by the company and its management of financial risk is disclosed in note 5 to the financial statements, in particular the company's exposure to currency risk, credit risk, liquidity risk and cash flow interest rate risk.

**Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with the applicable law and Gibraltar Financial Reporting Standards (together Gibraltar Generally Accepted Accounting Practice) including Gibraltar Financial Reporting Standard 102 ("GFRS 102"), The Financial Reporting Standard Applicable in Gibraltar.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Gibraltar Financial Reporting Standards, including GFRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2014. 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.

**Disclosure of information to auditors**

- As far as the directors are 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 as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Directors' report for the year ended 31 December 2016 - continued**

**Auditors**

The auditors, PricewaterhouseCoopers Limited, have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

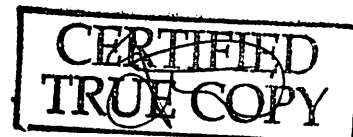
By order of the board



**GoC (Secretaries) Limited**  
Company Secretary

Gibraltar

Date:.....12 JUN 2019.



**For and on behalf of**

**GOC (Secretaries) Limited**



**Independent auditor's report  
To the members of Gibraltar Joinery and Building Services Limited**

**Report on the audit of the financial statements**

***Our opinion***

In our opinion, the accompanying financial statements of Gibraltar Joinery and Building Services Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards; and
- have been properly prepared in accordance with requirements of the Companies Act 2014.

***What we have audited***

We have audited the financial statements of the company, which comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

***Other information***

The directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 31 December 2016 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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*PricewaterhouseCoopers Limited, 327 Main Street, Gibraltar  
T: +350 200 73520, www.pwc.gi*



**Independent auditor's report  
To the members of Gibraltar Joinery and Building Services Limited - continued**

**Report on the audit of the financial statements - continued**

***Other information - continued***

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2014 requires us also to report on certain opinions and matters as described below:

***Directors' Report***

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

- the information given in the Directors' Report for the year ended 31 December 2016 is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

***Responsibilities of the directors for the financial statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.





**Independent auditor's report  
To the members of Gibraltar Joinery and Building Services Limited - continued**

**Report on the audit of the financial statements - continued**

***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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Use of this report***

This report, including the opinion on the financial statements and the opinions on other matters prescribed by the Companies Act 2014, has been prepared for and only for the company's members, as a body in accordance with Section 257 of the Companies Act 2014, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.




**Independent auditor's report  
To the members of Gibraltar Joinery and Building Services Limited - continued**

**Report on other legal and regulatory requirements**

***Opinion on other matters prescribed by the Companies Act 2014***

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

- we have received all the information and explanations we require for our audit.



Colin Vaughan  
Statutory auditor  
For and on behalf of  
PricewaterhouseCoopers Limited  
Gibraltar

12<sup>th</sup> Jun 2019

**Profit and loss account for the year ended 31 December 2016**

	Note	2016 £	2015 £
<b>Turnover - continuing operations</b>	6	77,739,312	136,572,458
<b>Cost of sales</b>		<b>(76,613,742)</b>	<b>(131,170,700)</b>
<b>Gross profit -- continuing operations</b>		<b>1,125,570</b>	<b>5,401,758</b>
<b>Administrative expenses</b>		<b>(1,874,913)</b>	<b>(1,927,936)</b>
<b>Operating (loss)/profit - continuing operations</b>	7	<b>(749,343)</b>	<b>3,473,822</b>
<b>Other income</b>	10	<b>1,450,274</b>	<b>64,885</b>
<b>Interest receivable and similar income</b>	11	<b>16,378</b>	<b>52,432</b>
<b>Interest payable and similar charges</b>		<b>(1,898)</b>	<b>(18,124)</b>
<b>Profit on ordinary activities before taxation</b>		<b>715,411</b>	<b>3,573,015</b>
<b>Tax on ordinary activities</b>	12	<b>(95,230)</b>	<b>(357,302)</b>
<b>Profit for the financial year</b>		<b>620,181</b>	<b>3,215,713</b>

The company has no recognised gains and losses other than the result above and therefore no separate statement of other comprehensive income has been presented.

## Balance sheet as at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	13	1,442,271	1,858,236
<b>Current assets</b>			
Stocks	14	879,916	1,811,060
Debtors	15	15,601,793	20,083,001
Derivative financial instrument	16	1,095,005	-
Cash at bank and in hand	20	5,074,704	7,754,118
		22,651,418	29,648,179
<b>Creditors: amounts falling due within one year</b>	17	<b>(14,662,719)</b>	<b>(22,695,626)</b>
<b>Net current assets</b>		<b>7,988,699</b>	<b>6,952,553</b>
<b>Net assets</b>		<b>9,430,970</b>	<b>8,810,789</b>
<b>Capital and reserves</b>			
Called-up share capital	18	1,000,000	1,000,000
Profit and loss account		8,430,970	7,810,789
<b>Total shareholders' funds</b>		<b>9,430,970</b>	<b>8,810,789</b>

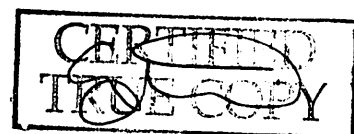
The financial statements on pages 9 to 26 were approved by the board of directors on 12 JUN 2019 and were signed on its behalf by:



M Estella  
Director



W A Crisp  
Director



For and on behalf of

GOC (Secretaries) Limited

**Statement of changes in equity for the year ended 31 December 2016**

	<b>Share capital £</b>	<b>Profit and loss account £</b>	<b>Total shareholders' funds £</b>
Balance as at 1 January 2015	1,000,000	4,595,076	5,595,076
Profit for the financial year	-	3,215,713	3,215,713
Balance as at 31 December 2015	1,000,000	7,810,789	8,810,789
Profit for the financial year	-	620,181	620,181
Balance as at 31 December 2016	1,000,000	8,430,970	9,430,970

## Cash flow statement for the year ended 31 December 2016

	Note	2016 £	2015 £
Net cash outflow from operating activities	19	(2,865,183)	(5,373,080)
Return on investments and servicing of finance			
Interest paid		(1,898)	(18,124)
Foreign currency gains		282,951	-
Interest received on bank deposits		16,378	52,433
Net cash outflow from return on investments and servicing of finance		297,431	34,309
Taxation paid		(100,000)	(100,000)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	13	(42,512)	(361,156)
Net cash outflow from capital expenditure and financial investment		(42,512)	(361,156)
Net cash outflow before financing		(2,710,264)	(5,799,927)
Financing			
Decrease/(increase) in short-term Government advances		30,850	(400,000)
Net cash inflow/(outflow) from financing		30,850	(400,000)
Net decrease in cash	20	(2,679,414)	(6,199,927)

## Reconciliation of net cash flow to movement in net funds

	Note	2016 £	2015 £
Net decrease in cash during the year		(2,679,414)	(6,199,927)
Movement in short-term Government advances		(30,850)	400,000
Movement in net funds for the year	20	(2,710,264)	(5,799,927)
Net funds at 1 January		7,785,718	13,585,645
Net funds at 31 December	20	5,075,454	7,785,718

**Notes to the financial statements for the year ended 31 December 2016****1 General information**

The company is registered in Gibraltar as a private company limited by shares. The principal activity of the company is building and joinery contractors.

The company's registered office was 206 - 210 Main Street, Gibraltar.

**2 Statement of compliance**

The financial statements of Gibraltar Joinery and Building Services Limited (the "company" or "GJBS") have been prepared in compliance with Gibraltar Financial Reporting Standards, including Gibraltar Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in Gibraltar" ("GFRS 102") and the Companies Act 2014.

**3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, the accounting policies set out below, applicable legislation and in accordance with Gibraltar Financial Reporting Standards.

Gibraltar legislation applied in the preparation of these financial statements includes the Companies Act 2014.

The preparation of financial statements in conformity with GFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

**Turnover**

Turnover comprises the value of contracting work executed on long-term contracts during the year and the value of other goods and services supplied.

Turnover on contracts in progress, with costs of £5,000 or greater, is recognised according to the stage reached in the contract by reference to the value of the work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Costs include all direct expenditure and production overheads based on a normal level of activity.

**Rental income**

Rental income is received in relation to the letting of space on the company's premises. Rental income is accounted for on an accruals basis.

## Notes to the financial statements for the year ended 31 December 2016 - continued

**3 Summary of significant accounting policies - continued****Foreign currencies***(i) Functional and presentation currency*

Items included in these financial statements are measured and presented using Pound Sterling (£), the currency of the primary economic environment in which the company operates (the 'functional currency'), which is also the company's presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. The company does not have any non-monetary assets and liabilities denominated in foreign currencies.

**Fixed assets**

Tangible fixed assets are carried at cost. Cost represents purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned which are considered to be:

Motor vehicles	4 to 10 years
Fixed plant, machinery and equipment	5 to 15 years
Office equipment	4 years
Buildings and improvements to premises	25 years

**Impairment**

Fixed assets are subject to an impairment review if there are events or changes in circumstances that indicate that their carrying amount may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed assets with its recoverable amount, which is the higher of net realisable value and value in use. The carrying value of the fixed asset is written down by the amount of any impairment and this loss is recognised in the profit and loss account in the period in which it occurs. If the occurrence of an external event gives rise to the reversal of an impairment loss, the reversal is recognised in the profit and loss account and by increasing the carrying amount of the fixed asset in the period in which it occurs. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not occurred.

**Pensions**

The company participates in a defined-contribution scheme. The cost of the contribution is charged against the profit or loss in the period to which the contribution relates.



## Notes to the financial statements for the year ended 31 December 2016 - continued

**3 Summary of significant accounting policies - continued****Financial instruments**

The company has chosen to adopt Sections 11 and 12 of GFRS 102 in respect of financial instruments.

*(i) Financial assets*

Basic financial assets, including trade and other debtors, and cash at bank and in hand balances are initially recognised at transaction price, unless the arrangement constitutes a financing transactions, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for bad debt and if an asset is deemed non-recoverable a write-off is recognised in the profit and loss account.

Derivative financial instruments, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss account in other income/charges as appropriate.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial assets are derecognised when (a) contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated or third party without imposing additional restrictions.

*(ii) Financial liabilities*

Basic financial liabilities, including amounts due to related parties, trade and other creditors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measure at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other creditors and accruals are classified as creditor amounts due within one year if payment is due within one year or less. If not, they are presented as creditor amounts due after more than one year. Other creditors and accruals are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

*(iii) Offsetting*

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

**Notes to the financial statements for the year ended 31 December 2016 - continued****3 Summary of significant accounting policies - continued****Stocks and work-in-progress**

Stocks and work-in-progress are stated at the lower of cost and net realisable value.

In the case of raw materials and consumables, cost is determined on a weighted average basis and includes transport and handling costs.

In the case of short-term work-in-progress, which represents minor construction contracts with a value under £5,000, costs include all direct expenditure and production overheads based on a normal level of activity.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Long-term contracts**

Long-term contracts represent major construction contracts with a value of £5,000 or greater. Costs include all direct expenditure and production overheads based on a normal level of activity.

The amount of long-term contracts, at costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover, is included in work-in-progress and stock as long-term contract balances. The amount by which recorded turnover is in excess of payments on account is included in debtors as amounts recoverable on long-term contracts ("accrued income"). Payments in excess of recorded turnover and long-term contract balances are included in creditors as payments received on account on long-term contracts ("deferred income"). The amount by which provisions or accruals for foreseeable losses exceed costs incurred, after transfers to cost of sales, is included within creditors.

Provision is made for all losses expected to arise up to the completion of contracts in progress or entered into up to the balance sheet date, whether or not work has commenced.

**Operating leases**

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

**Current taxation**

Provision is made at the applicable rate for corporation tax payable on the results for the year, as adjusted for tax purposes.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

## Notes to the financial statements for the year ended 31 December 2016 - continued

**3 Summary of significant accounting policies - continued****Cash flow statement**

Cash flows are defined as increases or decreases in cash. Cash includes cash in hand, deposits with banks repayable on demand and short-term borrowing from the Government of Gibraltar. Deposits are repayable on demand if they are in practice available within twenty-four hours. Liquid resources, for cash flow purposes, are classified as deposits with banks which are repayable after more than one day.

**Going concern**

In assessing going concern, the directors have considered a period of at least twelve months from the date of approval of these financial statements.

**4 Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no other accounting judgements other than those referenced to within the accounting estimates below.

*(a) Critical accounting estimates and assumptions*

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

*(i) Revenue recognised on long-term contracts*

In accordance with accounting requirements and the company's accounting policy, with the exception of Project Euston, the company recognises revenue on all ongoing long term contracts according to the stage reached in the contract by reference to the value of work done. In order to determine the correct value of revenue to be recognised, the company applies a percentage of completion to the overall value of the sales contract. This percentage is determined by dividing the cumulative costs incurred to date against the total costs expected to be incurred at completion. Determining these total costs at completion is subjective and complex and so, management rely on the expertise of its in-house qualified quantity surveyors to continually assess each individual project based upon the specific requirements of each job and the economic environment. In the case of Project Euston, given the specific nature of this project, management determine the amount of revenue to be recognised based on the value of works certified as at the balance sheet date.

*(ii) Provision for future losses*

Provisions are made for all known or expected future losses on individual contracts once such losses are foreseen. This is based on the excess of total costs expected to be incurred at completion over the total contract revenue of each individual project. Determining these total costs at completion is subjective and complex. As at the balance sheet date, the company has determined and recorded future expected losses on its contracts in progress amounting to £1,387,505 (2015: £2,710,810).

## Notes to the financial statements for the year ended 31 December 2016 - continued

**5 Management of financial risk**

The company's operations expose it to a variety of financial risks that include the effects of currency risk, credit risk, liquidity risk and cash flow interest rate risk. The company seeks to limit the adverse effects on the financial performance of the company by monitoring levels of exposure.

**(a) Currency risk**

The company is exposed to currency risk in respect of its purchases of goods denominated in foreign currencies. The most significant currency to which the company is exposed to is the Euro. As the majority of the company's purchases are denominated in Pound Sterling and all Euro denominated purchases are made in cash, the company has very little exposure to currency risk. During the year the company entered into foreign currency forward contracts to mitigate the exchange rate risk of future payments.

**(b) Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The company has implemented policies that require appropriate credit checks on potential customers before contracts for services are entered into with them. As the majority of the company's sales contracts are with the Government of Gibraltar, the company's exposure to credit risk is limited.

**(c) Liquidity risk**

The company actively maintains short-term finance that is designed to ensure that the company has sufficient available funds for operations. The company maintains short-term flexibility in funding by receipt of advance payments from the Government in proportion to the work completed prior to the actual certification by Government surveyors.

**(d) Cash flow interest rate risk**

The company is exposed to changes in interest rates, primarily due to its financing and cash management activities. This risk is considered to be minimal to the company as the short-term advance provided by the Government of Gibraltar is interest free.

**6 Segmental reporting**

The company's activities consist solely of the completion of building and joinery contracting in Gibraltar.

	2016 £	2015 £
Government of Gibraltar departments and sponsored bodies	56,757,436	123,952,023
Commercial work	20,981,876	12,620,435
	<b>77,739,312</b>	<b>136,572,458</b>

## Notes to the financial statements for the year ended 31 December 2016 - continued

**7 Operating (loss)/profit**

	2016 £	2015 £
<b>Operating (loss)/profit is stated after charging:</b>		
Wages and salaries	4,695,688	5,335,282
Social security costs	193,953	204,675
Other pension costs (see note 21)	410,449	414,438
<b>Staff costs</b>	<b>5,300,090</b>	<b>5,954,395</b>
Bad debts (recovered)/written off	(37,780)	75,071
Depreciation of tangible fixed assets	458,477	544,133
Audit fees	50,641	34,460
Non audit fees charged by the statutory auditor	23,000	15,650

**8 Employee information**

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2016	2015
<b>By activity:</b>		
Production	73	79
Administration	39	39
	112	118

One of the directors of the company is a member of the Gibraltar Provident Trust Fund (No. 2) Pension Scheme, which is the defined-contribution scheme that the company participates in.

**9 Directors emoluments**

The company's directors did not receive emoluments from the company for their services as directors during the current or preceding year. One director receives emoluments in his capacity as the managing director of the company and under the provisions of the Companies Act 2014 (schedule 16, paragraph 4) these emoluments are not disclosed.

## Notes to the financial statements for the year ended 31 December 2016 - continued

**10 Other income**

	2016 £	2015 £
Rental income receivable	6,533	6,533
Gain on derivative financial instrument (see note 16)	1,095,005	-
Foreign exchange gain	282,951	-
Other income receivable	65,785	58,352
	<b>1,450,274</b>	<b>64,885</b>

**11 Interest receivable and similar income**

	2016 £	2015 £
Bank interest receivable	16,378	52,432

**12 Tax on ordinary activities****(a) Analysis of tax charge for the year**

	2016 £	2015 £
Current tax		
Tax on ordinary activities	95,230	357,302

**(b) Factors affecting tax charge for the year**

	2016 £	2015 £
Profit on ordinary activities before taxation	715,411	3,573,015
Notional tax at 10%	71,541	357,302
Effects of:		
Depreciation in excess of capital allowances	25,327	-
Income not subject to corporation tax	(1,638)	-
Current tax charge for the year	<b>95,230</b>	<b>357,302</b>

## Notes to the financial statements for the year ended 31 December 2016 - continued

## 13 Tangible assets

	Motor vehicles £	Fixed plant, machinery & equipment £	Office equipment £	Buildings & improvements to premises £	Total £
<b>Cost</b>					
At 1 January 2016	1,914,322	2,589,362	450,916	1,031,895	5,986,495
Additions	-	9,594	32,918	-	42,512
Disposals	-	-	-	-	-
<b>At 31 December 2016</b>	<b>1,914,322</b>	<b>2,598,956</b>	<b>483,834</b>	<b>1,031,895</b>	<b>6,029,007</b>
<b>Accumulated depreciation</b>					
At 1 January 2016	1,375,809	2,046,878	423,851	281,721	4,128,259
Charge for the year	153,708	226,734	26,210	51,825	458,477
Disposal	-	-	-	-	-
<b>At 31 December 2016</b>	<b>1,529,517</b>	<b>2,273,612</b>	<b>450,061</b>	<b>333,546</b>	<b>4,586,736</b>
<b>Net book value</b>					
<b>At 31 December 2016</b>	<b>384,805</b>	<b>325,344</b>	<b>33,773</b>	<b>698,349</b>	<b>1,442,271</b>
At 31 December 2015	538,513	542,484	27,065	750,174	1,858,236

## 14 Stocks

	2016 £	2015 £
Raw materials and consumables	210,224	294,364
Short-term work-in-progress	669,692	1,516,696
	<b>879,916</b>	<b>1,811,060</b>

## Notes to the financial statements for the year ended 31 December 2016 - continued

## 15 Debtors

	2016 £	2015 £
Trade debtors	2,395,443	12,194,017
Other debtors	748,349	236,581
Corporation tax	274,406	269,636
Amounts recoverable on contracts	12,182,845	7,351,167
Government of Gibraltar - short-term advance	750	31,600
	<b>15,601,793</b>	<b>20,083,001</b>

## 16 Derivative financial instruments - forward contracts

During the year the company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain future payments in Euros. At 31 December 2016, all of the outstanding contracts mature eight months after the financial year-end. Based on the terms of the agreement, the company is committed to buying a total of €13,233,648 and to pay a fixed sterling amount based on pre-determined exchange rates.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are:

- The contractual amounts of Euros that would be transferred post year end;
- The pre-agreed GBP to EUR forward exchange rates that would apply upon conversion post year end; and
- The GBP to EUR forward exchange rates offered by the market as at the balance sheet date that would apply upon conversion post year end.

As at 31 December 2016, the fair value of the derivative financial instrument forward contract amounts to £1,095,005.

## 17 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	10,996,035	15,458,142
Other creditors (i)	117,442	113,563
Taxation and social security	91,954	91,954
Amounts due to related parties (ii)	14,061	14,061
Provision for future losses on contracts	1,387,505	2,710,810
Deferred income	1,989,225	4,209,814
Accruals	66,497	97,282
	<b>14,662,719</b>	<b>22,695,626</b>



## Notes to the financial statements for the year ended 31 December 2016 - continued

**17 Creditors: amounts falling due within one year - continued**

- (i) Included in other creditors are pension contributions payable amounting to £15,182 (2015: £15,406).
- (ii) The amounts due to Gibraltar General Construction Company Limited (GGCC) are unsecured, interest free and has no fixed date of repayment. GGCC and the company share the same ultimate controlling party.

**18 Called up share capital**

	2016 £	2015 £
<b>Authorised, issued and fully paid</b>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

**19 Cash flow from operating activities**

	2016 £	2015 £
Operating (loss)/profit - continuing operations	(749,343)	3,473,822
Depreciation of tangible fixed assets	458,477	544,133
Other income	72,318	64,885
Decrease in stocks	931,144	639,961
Decrease/(increase) in trade debtors	9,798,574	(3,945,249)
Increase in other debtors and amounts recoverable on contracts	(5,343,446)	(598,277)
(Decrease)/increase in trade creditors	(4,462,107)	2,136,148
Decrease in amounts due to related entities	-	(294,083)
Decrease in provision for future losses	(1,323,305)	(444,400)
Increase/(decrease) in other creditors	3,879	(112,708)
Decrease in deferred income	(2,220,589)	(6,848,345)
(Decrease)/increase in accruals	(30,785)	11,033
<b>Net cash outflow from operating activities</b>	<b>(2,865,183)</b>	<b>(5,373,080)</b>

## Notes to the financial statements for the year ended 31 December 2016 - continued

**20 Analysis of changes in net funds**

	1 January 2015 £	Cash flow £	31 December 2015 £
Cash at bank and in hand	13,954,045	(6,199,927)	7,754,118
Government advance	(368,400)	400,000	31,600
<b>Net balance</b>	<b>13,585,645</b>	<b>(5,799,927)</b>	<b>7,785,718</b>
	1 January 2016 £	Cash flow £	31 December 2016 £
Cash at bank and in hand	7,754,118	(2,679,414)	5,074,704
Government advance	31,600	(30,850)	750
<b>Net balance</b>	<b>7,785,718</b>	<b>(2,710,264)</b>	<b>5,075,454</b>

**21 Pension commitments**

The company participates in a defined-contribution pension scheme with the assets held in a separate trustee administered fund (see note 7). The company's pension costs for the year are disclosed in note 7.

## Notes to the financial statements for the year ended 31 December 2016 – continued

**22 Related party transactions**

HM Government of Gibraltar is the ultimate beneficial owner of the company. HM Government of Gibraltar departments and their sponsored bodies are the company's principal clients. HM Government of Gibraltar departments and their sponsored bodies, in the context of GFRS 102 section 33 are considered related parties. Transactions and outstanding balances with these related parties as at 31 December 2016 are set out as below.

<b>Government departments and their sponsored bodies</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Profit and loss account</b>		
Turnover	56,757,436	123,952,023
Other income	72,318	58,332
<b>Stock</b>		
Short-term work-in-progress	661,223	1,458,613
<b>Debtors</b>		
Trade debtors	2,219,178	12,116,805
Other debtors	228,502	227,821
Amounts recoverable on long-term contracts	9,951,143	6,013,179
Government of Gibraltar short-term advance	750	31,600
Corporation tax	274,406	269,636
<b>Creditors</b>		
Taxation and social security	(91,954)	(91,954)
Provision for future losses on contracts	(796,723)	(2,524,136)
Deferred income	(1,937,121)	(4,209,814)

## Notes to the financial statements for the year ended 31 December 2016 - continued

**22 Related party transactions - continued**

The below entities are considered to be related parties due to close family members of a Director of the company owning controlling interests in these entities. Transactions and outstanding balances with these related parties as at 31 December 2016 are set out as below.

Privately owned entities	2016 £	2015 £
<b>Expenditure</b>		
HSE Consulting Limited	2,941,162	3,430,921
HSE Consulting Outsourcing Limited	285,905	1,384,915
Rock Administrative Services (Gibraltar) Limited	1,806,259	2,472,702
<b>Creditors</b>		
HSE Consulting Limited	(203,929)	(444,239)
HSE Consulting Outsourcing Limited	(12,580)	(21,528)
Rock Administrative Services (Gibraltar) Limited	(1,773)	(85,022)

All of the above transactions entered into with privately owned related parties are done so on a commercial basis.

**23 Ultimate controlling party**

The immediate and ultimate parent undertaking of the company is Gibraltar Investment (Holdings) Limited, a limited company incorporated in Gibraltar.

According to the register kept by the company, Gibraltar Investment (Holdings) Limited has a 100% interest in the share capital of the company as at 31 December 2016. The directors regard HM Government of Gibraltar as the ultimate controlling party by virtue of its 100% interest in the share capital of Gibraltar Investment (Holdings) Limited.

**24 Subsequent events**

The company billed its ultimate parent undertaking on 13 December 2018 for the advisory services provided amounting to £2,000,000.