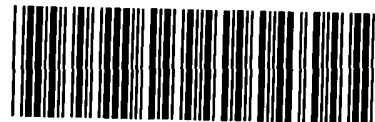

BARHALE CONSTRUCTION SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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BARHALE CONSTRUCTION SERVICES LIMITED

COMPANY INFORMATION

Directors	M J Behan J D Ripley
Company secretary	A K Sheppard
Registered number	01808140
Registered office	Barhale House Bescot Crescent Walsall West Midlands WS1 4NN
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT
Bankers	Lloyds Bank plc 125 Colmore Row Birmingham West Midlands B3 3SF

BARHALE CONSTRUCTION SERVICES LIMITED

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BARHALE CONSTRUCTION SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

Introduction

The principal activities of the company are the sale and hire of construction plant and consumables.

Business review

Until 4 September 2017, the business operated as a division of Barhale Limited whereupon the assets and trade were transferred into Barhale Construction Services Limited.

The key financial highlights are as follows:

	2018 £	2017 £
Turnover	17,734,515	-
Gross profit	2,951,746	-
Gross profit margin	16.64%	-
Operating profit	878,495	-
Total assets	11,785,683	2
Net assets	521,900	2

The company reported a profit before tax for the year of £731,485 (2017: £Nil).

Turnover improved markedly in the year with volumes increasing from both internal and external markets. The company's continued investment in the plant fleet increased hire revenues by comparison with the divisional result within Barhale Limited.

Gross margin % was higher than expected due to improved utilisation rates and increased sales of consumables carrying a higher mark up.

Overheads were in line with expectations.

In line with group's policy, the company continues to closely manage working capital and cash balances. The cash balance at 30 June 2018 was £431,322.

The company acknowledges the input from:

- Our employees
- Our clients and customers
- Our supply chain
- Our finance providers
- Our joint venture partners

BARHALE CONSTRUCTION SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

Review and business outlook

2018 represented a year of satisfactory progress in line with the businesses growth strategy.

The company invested £1.3m in the plant fleet in the year increasing plant hire revenues. This investment enabled us to invest in more efficient and technologically advanced equipment increasing productivity for ourselves and most importantly our clients. The ever changing Health, Safety and Environment landscape demands safer and more energy efficient plant and equipment and this investment is in part required to meet this challenge. In line with the growth strategy, the company will continue to invest in its fleet where there is a sound business case.

Turnover increased in all of the company's business streams. Tunnelling & Fabrication had a particularly busy year supporting major construction projects with specialist equipment and expertise.

The Signs & Supplies business continued to grow adding more customers to its existing base. In the year, they invested in digital printing and cutting sign making equipment. This increased capacity and productivity whilst reducing waste. Towards the end of the year the company won a long term contract with Scottish Water for the supply of signs, barriers and associated highways products.

The Safety & Lifting stream continues to provide high quality regulated products and services to both the internal and external markets. These services include the supply and maintenance of gas detectors, cable avoidance tools and confined space breathing apparatus.

Training is a key aspect of the group's Source, Train and Retain initiative. Additionally the company provides training courses and facilities to the construction industry. The primary focus of this training is Health, Safety and the Environment however additional courses include mental health and wellbeing.

The outlook for the company is very dependent upon the wider construction market. Given the number of major infrastructure projects and the continued spend by water companies into AMP7 the company considers it is very well positioned to fulfil its strategic objectives.

Principal risks and uncertainties

Risk management is an important part of the management processes of the company. Regular reviews are undertaken to assess the nature of the risks faced, the magnitude of the risk presented to business performance and the manner in which the risk may be mitigated. The controls in place are regularly monitored.

The principal risks and uncertainties facing the business at the current time are as follows:

- Attracting and retaining staff
- Maintaining high utilisation rates
- Availability of asset finance

All risks are reviewed and monitored by the Risk and Audit committee, a sub-committee of the main board. Individual risks are managed by a relevant owner and progress is reported upon monthly.

BARHALE CONSTRUCTION SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

Performance measurement

The company continues to use the Three Pillar Model of Profit, Safety and Environment to measure performance.

The financial key performance indicators are:

- Cash generated compared as a % of turnover
- Overhead as a % of turnover
- Profit before tax compared to budget
- Turnover compared to budget

The company wherever possible seeks to align its objectives with those of our client and in turn to those of our staff. The board are very satisfied with the financial performance and the progress made within the growth strategy.

The non-financial key performance indicators are:

- Number of lost time incidents per 100,000 hours worked
- Number of senior management site inspections as a % of target
- Number of environmental incidents in a 12 month rolling period
- % of waste generated diverted away from landfill sites in a 12 month rolling period
- Rolling accident frequency rate
- Gas oil per £m turnover
- Near miss report frequency rate

All of the above financial and non-financial key performance indicators are included with our staff objectives so as to ensure sustainable success.

This report was approved by the board on *24 October 2018*

and signed on its behalf.



M J Behan
Director

BARHALE CONSTRUCTION SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

Results and dividends

The profit for the year, after taxation, amounted to £521,898 (2017: £Nil).

The company has commenced its trading operations on 4 September 2017 following the acquisition of certain trade and assets from Barhale Limited.

Directors

The directors who served during the year and subsequently were:

M J Behan (appointed 2 October 2017)
J D Ripley (appointed 2 October 2017)
D A Curran (resigned 2 October 2017)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditor

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 company's auditor is aware of that information.

BARHALE CONSTRUCTION SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

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

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



M J Behan
Director

Date: 24 October 2018



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARHALE CONSTRUCTION SERVICES LIMITED

Opinion

We have audited the financial statements of Barhale Construction Services Limited for the year ended 30 June 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

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 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARHALE CONSTRUCTION SERVICES
LIMITED (CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARHALE CONSTRUCTION SERVICES LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities 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.

Other matter

The Company was not required to have a statutory audit for the period ended 30 June 2017 as it was entitled to exemption from the provisions of the Companies Act 2006 relating to the audit of the financial statements for the year by virtue of section 477 and no members had requested an audit pursuant to section 476 of the Act. Accordingly, the corresponding figures for the period ended 30 June 2017 are unaudited.



David P White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

Date:

24/10/18

BARHALE CONSTRUCTION SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 £	2017 £
Turnover	4	17,734,515	-
Cost of sales		(14,782,769)	-
Gross profit		2,951,746	-
Administrative expenses		(2,073,251)	-
Operating profit	5	878,495	-
Interest payable and similar charges	8	(147,010)	-
Profit before tax		731,485	-
Tax on profit	9	(209,587)	-
Profit for the financial year and total comprehensive income		521,898	-

There was no other comprehensive income for 2018 (2017: £Nil).

All amounts relate to continuing activities.

The notes on pages 12 to 26 form part of these financial statements.

BARHALE CONSTRUCTION SERVICES LIMITED
REGISTERED NUMBER: 01808140

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	7,909,778	-
		<u>7,909,778</u>	<u>-</u>
Current assets			
Stocks	11	1,120,330	-
Debtors: amounts falling due within one year	12	2,324,253	-
Cash at bank and in hand	13	431,322	2
		<u>3,875,905</u>	<u>2</u>
Creditors: amounts falling due within one year	14	(9,293,177)	-
Net current (liabilities)/assets		<u>(5,417,272)</u>	<u>2</u>
Total assets less current liabilities		<u>2,492,506</u>	<u>2</u>
Creditors: amounts falling due after more than one year	15	(1,864,369)	-
Provisions for liabilities			
Deferred tax		(106,237)	-
		<u>(106,237)</u>	<u>-</u>
Net assets		<u>521,900</u>	<u>2</u>
Capital and reserves			
Called up share capital	19	2	2
Profit and loss account	20	521,898	-
		<u>521,900</u>	<u>2</u>

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


M J Behan
 Director

Date: 24 October 2018

The notes on pages 12 to 26 form part of these financial statements.

BARHALE CONSTRUCTION SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2017	2	-	2
Comprehensive income for the year			
Profit for the year	-	521,898	521,898
Total comprehensive income for the year	<u>-</u>	<u>521,898</u>	<u>521,898</u>
At 30 June 2018	<u>2</u>	<u>521,898</u>	<u>521,900</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital	Total equity
	£	£
At 1 July 2016	2	2
Profit for the year	-	-
At 30 June 2017	<u>2</u>	<u>2</u>

The notes on pages 12 to 26 form part of these financial statements.

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. General information

Barhale Construction Services Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Barhale House, Bescot Crescent, Walsall, West Midlands, WS1 4NN.

Principal activity

From 4 September 2017, the principal activities of the company are the sale and hire of construction plant and consumables. Until that point, it was dormant.

On the same date, all the trade and relevant assets of the business carried on by Barhale Limited under the name "BCS Group" were transferred to the Company as part of group reorganisation.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Barhale Holdings Plc as at 30 June 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.3 Going concern

The directors consider that the going concern basis for the preparation of the company's financial statements continue to be appropriate. The company is still dependant on financial support from its group undertaking, Barhale Limited. They have received assurance from Barhale Limited that it will continue to support the company and will not make repayment of monies due to them unless all third party liabilities have been met.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue from the sale of spare parts is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and services supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods and services.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the value of work carried out during the year when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and equipment	- 15% - 33.33% reducing balance
Motor vehicles	- 10% - 25% straight line
Workshop equipment	- 10% straight-line
Tunnelling	- 15% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Debtors consist of amounts due from customers. An allowance for doubtful debts is maintained for estimated losses resulting from the inability of the group's customers to make required payments. The allowance is based on the group's regular assessment of the credit worthiness and financial conditions of customers.

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.14 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, amounts due from and to group undertakings and accruals.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

Debtors

Debtors consist of amounts due from customers. An allowance for doubtful debts is maintained for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance is based on the Company's regular assessment of the credit worthiness and financial conditions of customers.

Useful economic life of fixed assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilisation of the assets.

4. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	17,734,515	-

All turnover arose from the company's principal activity.

BARHALE CONSTRUCTION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets - owned assets	587,544	-
Depreciation of tangible fixed assets - hire purchase	380,652	-
Operating lease rentals - property	274,542	-
Operating lease rentals - motor vehicles	1,535,802	-
	<u>2,778,540</u>	<u>-</u>

6. Auditor's remuneration

Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements has been borne by a fellow group undertaking, Barhale Limited.

7. Employees

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	2,160,571	-
Social security costs	214,485	-
Other pension costs	115,358	-
	<u>2,490,414</u>	<u>-</u>

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

2018	2017
No.	No.
75	-

The directors are remunerated through Barhale Limited, a group undertaking.

BARHALE CONSTRUCTION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

8. Interest payable and similar expenses

	2018 £	2017 £
Interest on intercompany loans	83,441	-
Finance leases and hire purchase contracts	63,569	-
	<u>147,010</u>	<u>-</u>

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	103,350	-
Total current tax	<u>103,350</u>	<u>-</u>
Deferred tax		
Fixed asset timing differences	126,362	-
Short term timing differences	(1,828)	-
Losses and other deductions	(18,297)	-
Total deferred tax	<u>106,237</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>209,587</u>	<u>-</u>

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: the same as) the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	731,485	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.75%)	138,982	-
Effects of:		
Fixed asset differences	103,374	-
Expenses not deductible for tax purposes	178	-
Adjustment to tax rates	(12,498)	-
Other tax adjustments	(20,449)	-
Total tax charge for the year	209,587	-

BARHALE CONSTRUCTION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

9. Taxation (continued)

Factors that may affect future tax charges

The main rate of corporation tax reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020 (a change which was substantively enacted as of 21 July 2015 as part of the Finance Bill 2015). Deferred tax has been measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse.

10. Tangible fixed assets

	Plant & equipment for hire £	Motor vehicles £	Workshop equipment £	Tunneling equipment for hire £	Total £
Cost or valuation					
Additions	1,166,836	1,421,629	290,357	103,566	2,982,388
Transfers intra group	5,496,204	2,134,722	155,318	3,979,784	11,766,028
Disposals	(212,803)	(895,073)	(59,990)	(109,476)	(1,277,342)
At 30 June 2018	<u>6,450,237</u>	<u>2,661,278</u>	<u>385,685</u>	<u>3,973,874</u>	<u>13,471,074</u>
Depreciation					
Charge for the year on owned assets	457,903	359,817	18,783	131,693	968,196
Transfers intra group	1,600,800	1,474,393	100,951	2,466,279	5,642,423
Disposals	(104,172)	(878,685)	(48,881)	(17,585)	(1,049,323)
At 30 June 2018	<u>1,954,531</u>	<u>955,525</u>	<u>70,853</u>	<u>2,580,387</u>	<u>5,561,296</u>
Net book value					
At 30 June 2018	<u><u>4,495,706</u></u>	<u><u>1,705,753</u></u>	<u><u>314,832</u></u>	<u><u>1,393,487</u></u>	<u><u>7,909,778</u></u>

BARHALE CONSTRUCTION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £
Plant and equipment	2,952,346
Motor vehicles	1,597,494
	<u>4,549,840</u>

11. Stocks

	2018 £	2017 £
Raw materials and consumables	<u>1,120,330</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £7,522,618 (2017: £Nil).

An impairment loss of £123,876 was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

12. Debtors

	2018 £	2017 £
Trade debtors	1,420,241	-
Amounts owed by group undertakings	520,133	-
Amounts owed by joint ventures	5,541	-
Prepayments and accrued income	64,446	-
Amounts recoverable on contracts	313,892	-
	<u>2,324,253</u>	<u>-</u>

The amounts owed by group undertakings are unsecured, interest free and have no fixed repayment terms.

A provision for bad debts of £Nil (2017: £Nil) was recognised against trade debtors.

BARHALE CONSTRUCTION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	431,322	2

14. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	978,804	-
Amounts owed to group undertakings	4,500,728	-
Amounts owed to a related party	24,261	-
Corporation tax	103,350	-
Other taxation and social security	112,563	-
Obligations under finance lease and hire purchase contracts	941,461	-
Other creditors	21,895	-
Accruals and deferred income	2,610,115	-
	9,293,177	-

The obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

The amounts owed to group undertakings are unsecured, repayable on demand and carries an interest which accrues on the principal amount of the debt at a rate of 2% above the base rate of Lloyds Bank plc.

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

	2018	2017
	£	£
Net obligations under finance leases and hire purchase contracts	1,864,369	-

The obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

BARHALE CONSTRUCTION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2018 £	2017 £
Within one year	941,461	-
Between 2-5 years	1,864,369	-
	<u>2,805,830</u>	<u>-</u>

17. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	431,322	2
Financial assets that are debt instruments measured at amortised cost	2,259,807	-
	<u>2,691,129</u>	<u>2</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(10,941,633)</u>	<u>-</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, accruals and net obligations under finance leases and hire purchase contracts.

18. Deferred taxation

	2018 £
At beginning of year	-
Charged to profit or loss	(106,237)
At end of year	<u>(106,237)</u>

BARHALE CONSTRUCTION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

18. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(126,362)	-
Tax losses carried forward	18,297	-
Short term timing differences	1,828	-
	<u>(106,237)</u>	<u>-</u>

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

20. Reserves

Profit and loss account

Includes all current and prior periods retained profits and losses.

21. Contingent liabilities

There were no contingent liabilities at 30 June 2018 or 30 June 2017.

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £115,358 (2017: £Nil). Contributions totalling £10,754 (2017: £Nil) were payable to the fund at the reporting date and are included in creditors.

BARHALE CONSTRUCTION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

23. Commitments under operating leases

At 30 June 2018, the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Motor vehicles		
Not later than 1 year	721,823	-
Later than 1 year and not later than 5 years	1,218,327	-
	<u>1,940,150</u>	<u>-</u>
Property		
Not later than 1 year	135,500	-
Later than 1 year and not later than 5 years	536,741	-
Later than 5 years	748,658	-
	<u>1,420,899</u>	<u>-</u>

24. Related party transactions

The company has taken advantage of the exemption in Section 33 of FRS 102 not to disclose transactions with wholly owned members of the group controlled by Barhale Holdings Plc.

During the year, the company made purchases amounting to £173,895 (2017: £Nil) from Kilkern Limited, a connected company with common directors, for supply of site operatives. At the reporting date, the company owed £24,261 (2017: £Nil) to Kilkern Limited.

25. Parent undertaking and controlling party

The ultimate parent company of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Barhale Holdings Plc, a company registered in England and Wales. The largest group in which the results of the company are consolidated is that headed by Barhale Holdings Plc. The financial statements of this company are publicly available and can be obtained from its registered office: Barhale House, Bescott Crescent, Walsall, West Midlands, WS1 4NN.

The ultimate controlling party is D A Curran.