

Registered number: 01808140

Barhale Construction Services Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2023



Barhale Construction Services Limited

Company Information

Directors

J D Ripley
A N Flowerday
J Mulchinock
M J Brown

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
17th Floor
103 Colmore Row
Birmingham
West Midlands
B3 3AG

Barhale Construction Services Limited

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 5
Independent Auditor's Report	6 - 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 30

Barhale Construction Services Limited

Strategic Report For the Year Ended 30 June 2023

Introduction

The principal activities of the Company are the sales, hire and manufacture of construction plant and consumables.

Business review

The key financial highlights are as follows:

	2023 £	2022 £
Turnover	21,700,962	18,114,031
Gross profit	1,639,810	1,469,385
Gross profit margin %	7.6	8.1
Operating profit	358,495	327,980
Total assets	11,760,330	10,408,473
Net assets	1,153,420	1,132,697

Turnover increased in the year by 19.8% to £21.7m. Fabrications, Signs and Supplies, Hire, Fleet and Tunnelling all achieved increased sales, and this was across both external and inter-company sales. The hire business was particularly successful experiencing a 38% increase in sales after investing in greener, safer, more efficient plant. With a greater emphasis on carbon emissions and the interface between people and plant, higher specification equipment is now essential to achieve desired utilisation rates. This investment programme continued after the year end with a further £5.5m to be concluded in 2023/24, the returns from which will further improve gross margins.

The hire of specialist tunnelling equipment performed much better than 2022 and the current pipeline shows this further improving in 2023/24. The Fabrications turnover increased 21% and has some excellent opportunities supporting Barhale with their water treatment projects.

The gross profit increased in line with turnover resulting in a gross profit percentage similar to the previous year. The marketplace in signs and supplies became more competitive as potential customers shopped around to mitigate their rising costs.

The Company reported a profit before tax for the year of £8,866 (2022: £106,305). Whilst the Operating profit was in line with expectations, interest costs were higher than expected due to increases in the bank base rate bringing the profit before tax down below expectations.

The Company continued to closely manage working capital and cash balances. The cash balance at 30 June 2023 was £133,618 (30 June 2022: £178,259). The company continued to be supported by the Barhale group's Asset Based Lending facility.

The Company invested £3.2m in plant and equipment in the year in order to maintain and upgrade the current fleet. The ever changing Health, Safety and Environment landscape demands safer and more energy efficient plant and equipment and this investment was, in part, required to meet this challenge. This investment is expected to continue despite the long lead periods to secure delivery of these assets.

Whilst the economic outlook for the UK remains challenging, expenditure within the construction sector, which the Company primarily serves, remains high. Long term infrastructure projects on road and rail and the government's levelling up agenda will also present growth opportunities for the Company and the group. The Company's principle customers operate both in the public and private sectors and include local and police authorities together with water, traffic management and construction companies.

Barhale Construction Services Limited

Strategic Report (continued) For the Year Ended 30 June 2023

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 likelihood and magnitude of each risk and how these can be mitigated. The controls in place are regularly monitored.

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

- Sourcing talented people and maintaining a high quality workforce
- Maintaining plant utilisation rates, particularly on specialist plant
- Availability and lead times on capital equipment

All risks are reviewed and monitored by the Risk and Audit Committee, a sub committee of the main Barhale Holdings Plc Board. The findings and observations of the Risk and Audit Committee are then passed to the Operation Board for consideration and action as necessary.

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

Andy Flowerday

A N Flowerday
Director

Date: 29/9/2023

Barhale Construction Services Limited

Directors' Report For the Year Ended 30 June 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

Directors

The directors who served during the year were:

J D Ripley
A N Flowerday
J Mulchinock
M J Brown

Results and dividends

The profit for the year, after taxation, amounted to £20,723 (2022 - £7,442).

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements 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 to 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.

Barhale Construction Services Limited

Directors' Report (continued) For the Year Ended 30 June 2023

Going concern

The directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The directors of Barhale Holdings plc (the 'Group') have prepared monthly cash flow forecasts for the Group to 30 June 2025 and stress tested these for reasonably possible alternative scenarios. These show that based on the Group's order book and use of its currently agreed available facilities to December 2024, the Group will have sufficient liquidity to meet its liabilities as they fall due.

In December 2021, the Group entered into an asset based facilities agreement, providing funding to support the anticipated future investment and growth in the business. The agreement contains various terms and covenants and the ability of the Group to comply with these was compared to various worst case scenarios regarding revenues, margin and fixed costs. Based on these forecasts the directors consider the Company will remain compliant with the terms and covenants contained within this agreement and this source of funding will remain in place until December 2024 with no assumption of additional funding beyond that date.

The Company has received confirmation of continuing financial support from the ultimate parent company, Barhale Holdings plc, which confirms that it will provide sufficient funds for the Company to meet its financial obligations for the period of at least 12 months from the date of approving these financial statements.

Based on the above, directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Financial instruments

The Company's principal financial instruments comprise the cash, trade debtors and trade creditors, other debtors and other creditors, amounts owed by group undertakings, amounts owed by joint ventures and related parties, other loans, net obligations under finance lease and hire purchase contracts. The main purpose of these financial instruments is to provide finance for the Company's operations. The Company does not enter into derivative transactions.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

Liquidity risk

The Company manages liquidity through actively monitoring its cash flow requirements to ensure it maximises its available cash and funding headroom.

Credit risk

The Company has a high quality customer base and the receivables balances are monitored on an ongoing basis in order to mitigate any exposure to bad debts.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Matters covered in the Strategic Report

The Strategic Report includes the directors' assessment of the business review and developments, principal risks and uncertainties, and performance measurement.

Barhale Construction Services Limited

Directors' Report (continued) For the Year Ended 30 June 2023

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 ought to have been 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.

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.

Andy Flowerday

A N Flowerday
Director

Date: 29/9/2023

Barhale Construction Services Limited**Independent Auditor's Report to the Members of Barhale Construction Services Limited**

Opinion

We have audited the financial statements of Barhale Construction Services Limited (the 'company') for the year ended 30 June 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes to Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from the crisis in Ukraine and the cost-of-living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the parent company's financial resources or ability to continue operations over the going concern period.

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

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

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

Barhale Construction Services Limited

Independent Auditor's Report to the Members of Barhale Construction Services Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

Barhale Construction Services Limited**Independent Auditor's Report to the Members of Barhale Construction Services Limited (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 (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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- The Company is subject to many laws and regulations, where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; financial reporting legislation, tax legislation, import/export legislation and Anti Money Laundering.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or noncompliance with laws and regulations throughout the audit.
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and certain other audit procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with employees from different parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- Our audit procedures involved: journal entry testing, with a focus on manual cash impacting journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management. In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Barhale Construction Services Limited

Independent Auditor's Report to the Members of Barhale Construction Services Limited (continued)

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
 - knowledge of the industry in which the client operates.
 - understanding of the legal and regulatory requirements specific to the company.
 - the provisions of the applicable legislation.
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules.
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue sources and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the entity's control environment, including the policies and procedures implemented to comply the entity's relevant regulatory requirements, including the adequacy of procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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

Use of our report

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

Grant Thornton UK LLP

David P White BA FCA
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Chartered Accountants, Statutory Auditor
Birmingham

Date: 29/9/2023

Barhale Construction Services Limited**Statement of Comprehensive Income
For the Year Ended 30 June 2023**

	Note	2023 £	As restated 2022 £
Turnover		21,700,962	18,114,031
Cost of sales		(20,061,152)	(16,644,646)
Gross profit		1,639,810	1,469,385
Administrative expenses		(1,281,315)	(1,141,405)
Operating profit	5	358,495	327,980
Interest payable and similar expenses	9	(349,629)	(221,675)
Profit before tax		8,866	106,305
Tax on profit	10	11,857	(98,863)
Profit for the financial year		20,723	7,442

There was no other comprehensive income for 2023 (2022:£NIL).

The notes on pages 13 to 30 form part of these financial statements.

Barhale Construction Services Limited
Registered number:01808140

Balance Sheet
As at 30 June 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	11	7,846,946	6,083,778
Investments	12	283,020	283,020
		<u>8,129,966</u>	<u>6,366,798</u>
Current assets			
Stocks	13	1,878,286	1,533,782
Debtors: amounts falling due within one year	14	1,618,460	2,329,634
Cash at bank and in hand		133,618	178,259
		<u>3,630,364</u>	<u>4,041,675</u>
Creditors: amounts falling due within one year	16	(8,497,911)	(8,595,591)
Net current liabilities		<u>(4,867,547)</u>	<u>(4,553,916)</u>
Total assets less current liabilities		<u>3,262,419</u>	<u>1,812,882</u>
Creditors: amounts falling due after more than one year	17	(1,609,457)	(168,786)
Provisions for liabilities			
Deferred tax	19	(499,542)	(511,399)
		<u>(499,542)</u>	<u>(511,399)</u>
Net assets		<u>1,153,420</u>	<u>1,132,697</u>
Capital and reserves			
Called up share capital	20	2	2
Profit and loss account	21	1,153,418	1,132,695
		<u>1,153,420</u>	<u>1,132,697</u>

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

Andy Flowerday

A N Flowerday
 Director

Date: 29/9/2023

The notes on pages 13 to 30 form part of these financial statements.

Barhale Construction Services Limited**Statement of Changes in Equity
For the Year Ended 30 June 2023**

	Members' shares	Profit and loss account	Total equity
	£	£	£
At 1 July 2021	2	1,125,253	1,125,255
Profit for the year	-	7,442	7,442
At 1 July 2022	2	1,132,695	1,132,697
Profit for the year	-	20,723	20,723
At 30 June 2023	2	1,153,418	1,153,420

The notes on pages 13 to 30 form part of these financial statements.

Barhale Construction Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

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.

The principal activities of the Company are the sales, hire and manufacture of construction plant and consumables.

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's accounting policies (see note 3).

The financial statements are presented in Sterling (£).

The Company is itself a subsidiary company and is exempt from the requirements to prepare group accounts by virtue of Section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

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 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 11.42, 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 2023 and these financial statements may be obtained from Barhale House, Bescot Crescent, Walsall, West Midlands, WS1 4NN.

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023**

2. Accounting policies (continued)**2.3 Going concern**

The directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The directors of Barhale Holdings plc (the 'Group') have prepared monthly cash flow forecasts for the Group to 30 June 2025 and stress tested these for reasonably possible alternative scenarios. These show that based on the Group's order book and use of its currently agreed available facilities to December 2024, the Group will have sufficient liquidity to meet its liabilities as they fall due.

In December 2021, the Group entered into an asset based facilities agreement, providing funding to support the anticipated future investment and growth in the business. The agreement contains various terms and covenants and the ability of the Group to comply with these was compared to various worst case scenarios regarding revenues, margin and fixed costs. Based on these forecasts the directors consider the Company will remain compliant with the terms and covenants contained within this agreement and this source of funding will remain in place until December 2024 with no additional funding assumed beyond this date.

The Company has received confirmation of continuing financial support from the ultimate parent company, Barhale Holdings plc, which confirms that it will provide sufficient funds for the Company to meet its financial obligations for the period of at least 12 months from the date of approving these financial statements.

Based on the above, directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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 consumable and spare parts

Revenue from the sale of consumables and 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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract 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.

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023**

2. Accounting policies (continued)**2.5 Operating leases**

Rentals paid under operating leases are charged to profit or loss 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 Leased assets

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Finance costs

Finance costs are charged to profit or loss 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.

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.9 Pensions

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 Statement of Comprehensive Income when they fall due. Amounts not paid are shown as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 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.

Barhale Construction Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the following basis

Tunnelling equipment for hire	- 15% reducing balance
Workshop equipment	- 10% straight line
Plant and equipment for hire	- 15 - 33% reducing balance
Motor vehicles	- 10 - 25% straight line
Fixtures and fittings	- 33% straight line
Long-term leasehold property	- 10% straight line

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 profit and loss.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 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 balance sheet 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.

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 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.

2.15 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.

Barhale Construction Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

2.16 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 Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet 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 Balance Sheet

2.17 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, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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 2023**

2. Accounting policies (continued)**2.18 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 balance sheet 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 balance sheet 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet 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.

The management do not consider there to be any significant judgements to disclose.

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****4. Turnover**

An analysis of turnover by class of business is as follows:

	2023 £	2022 £
Hire of plant and machinery	12,489,289	8,992,506
Sale of construction plant and consumables	7,610,337	7,245,861
Fabrications	1,601,336	1,318,024
Other	-	557,640
	<u>21,700,962</u>	<u>18,114,031</u>

All turnover arose in the UK and were derived from its principal activities as disclosed in note 1 of these financial statements.

5. Operating profit

The operating profit is stated after charging:

	2023 £	2022 £
Depreciation of tangible fixed assets - owned assets	580,680	732,069
Depreciation of tangible fixed assets - hire purchase	366,094	338,824
Operating lease rentals - property rent	126,362	139,500
Operating lease rentals - motor vehicles	<u>1,030,605</u>	<u>646,296</u>

6. Auditor's remuneration

Auditor's remuneration of £18,900 (2022: £15,000) has been borne by Barhale Limited, a company also under the control of Barhale Holdings Plc.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****7. Employees**

Staff costs, including directors' remuneration, were as follows

	2023 £	2022 £
Wages and salaries	3,151,380	3,031,758
Social Security Costs	275,457	250,380
Defined contribution pension scheme	124,346	119,150
	<u>3,551,183</u>	<u>3,401,288</u>

Average number of employees including the directors during the period was as follows:

	2023	2022
Administrative Staff	34	33
Site Staff	54	55
	<u>88</u>	<u>88</u>

8. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	144,728	128,575
Company contributions to defined contribution pension scheme	11,883	11,500
	<u>156,611</u>	<u>140,075</u>

During the period, retirement benefits were accruing to 1 directors (2022: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £156,611 (2022: £140,075).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,883 (2022: £11,500).

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****9. Interest payable and similar expenses**

	2023 £	2022 £
Interest on intercompany loans	192,379	52,686
Finance leases and hire purchase contracts	150,934	150,406
Invoice discounting	6,316	18,583
	<u>349,629</u>	<u>221,675</u>

10. Taxation

	2023 £	2022 £
Corporation tax		
Adjustments in respect of previous periods	-	69,469
Total current tax	<u>-</u>	<u>69,469</u>
Deferred tax		
Origination and reversal of timing differences	192	27,791
Adjustments in respect of previous periods	(12,049)	1,603
Total deferred tax	<u>(11,857)</u>	<u>29,394</u>
Tax on profit	<u>(11,857)</u>	<u>98,863</u>

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****10. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2022 - higher than) the average standard rate of corporation tax in the UK for the year of 20.5% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>8,866</u>	<u>106,305</u>
Profit on ordinary activities multiplied by average standard rate of corporation tax in the UK for the year of 20.5% (2022 - 19%)	1,817	20,198
Effects of:		
Expenses not deductible for tax purposes	2,175	41,226
Income not taxable for tax purposes	-	(42,370)
Fixed asset differences	(90,826)	409
Effects of tax rate changes	(582)	6,670
Other permanent differences	1,557	151
Group relief surrendered	81,801	-
Movement in deferred tax not recognised	3,422	-
R&D expenditure credits	828	1,507
Adjustments to tax charge in respect of prior periods	(12,049)	71,072
Total tax charge for the year	<u>(11,857)</u>	<u>98,863</u>

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****11. Tangible fixed assets**

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Plant and machinery for hire £
Cost or valuation					
At 1 July 2022	63,468	472,250	2,176,785	65,981	7,588,281
Additions	17,583	100,737	360	14,656	3,172,481
Disposals	-	-	(17,774)	-	(1,087,306)
At 30 June 2023	<u>81,051</u>	<u>572,987</u>	<u>2,159,371</u>	<u>80,637</u>	<u>9,673,456</u>
Depreciation					
At 1 July 2022	13,838	205,403	1,835,175	16,538	3,520,947
Charge for the year	7,325	43,033	14,740	8,699	747,723
Disposals	-	-	(15,174)	-	(533,843)
At 30 June 2023	<u>21,163</u>	<u>248,436</u>	<u>1,834,741</u>	<u>25,237</u>	<u>3,734,827</u>
Net book value					
At 30 June 2023	<u>59,888</u>	<u>324,551</u>	<u>324,630</u>	<u>55,400</u>	<u>5,938,629</u>
At 30 June 2022	<u>49,630</u>	<u>266,847</u>	<u>341,610</u>	<u>49,443</u>	<u>4,067,334</u>

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****11. Tangible fixed assets (continued)**

	Tunneling Equipment for hire £	Total £
Cost or valuation		
At 1 July 2022	4,871,622	15,238,387
Additions	134,823	3,440,640
Disposals	(783,080)	(1,888,160)
At 30 June 2023	<u>4,223,365</u>	<u>16,790,867</u>
Depreciation		
At 1 July 2022	3,562,708	9,154,609
Charge for the year	125,254	946,774
Disposals	(608,445)	(1,157,462)
At 30 June 2023	<u>3,079,517</u>	<u>8,943,921</u>
Net book value		
At 30 June 2023	<u>1,143,848</u>	<u>7,846,946</u>
At 30 June 2022	<u>1,308,914</u>	<u>6,083,778</u>

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

	2023 £	2022 £
Plant and machinery	3,375,304	3,226,634
	<u>3,375,304</u>	<u>3,226,634</u>

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****12. Fixed asset investments**

	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2022	283,020
At 30 June 2023	283,020
Net book value	
At 30 June 2023	283,020

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Flemming & Company (Machinery) Limited	Woodhead Road, South Nitshill, Glasgow, G53 7NX	Dormant	Ordinary	100%

13. Stocks

	2023 £	2022 £
Finished goods and goods for resale	1,878,286	1,533,782
	1,878,286	1,533,782

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 £5,396,019 (2022: £5,664,330).

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****14. Debtors**

	2023 £	2022 £
Trade debtors	1,275,158	1,631,095
Asset Based lending facility	54,264	-
Amounts owed by group undertakings	-	590,135
Other debtors	247,056	37,126
Prepayments and accrued income	41,305	71,278
Deferred taxation	677	-
	<u>1,618,460</u>	<u>2,329,634</u>

A provision for bad debts of £nil (2022: £nil) was recognised against trade debtors.

15. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	133,618	178,259
Asset Based lending facility	54,264	(1,322,965)
	<u>187,882</u>	<u>(1,144,706)</u>

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****16. Creditors: Amounts falling due within one year**

	2023 £	2022 £
Asset Based lending facility	-	1,322,965
Trade creditors	2,420,531	1,959,293
Other taxation and social security	436,743	355,831
Amounts owed to group undertakings	3,501,169	2,765,753
Obligations under finance lease and hire purchase contracts	636,317	701,590
Other creditors	19,829	15,706
Accruals and deferred income	1,483,322	1,474,453
	<u>8,497,911</u>	<u>8,595,591</u>

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

Asset based lending is secured by a legal charge from IGF Business Credit Ltd over the assets of the Company.

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

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

	2023 £	2022 £
Net obligations under finance leases and hire purchase contracts	1,609,457	168,786
	<u>1,609,457</u>	<u>168,786</u>

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

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 £	2022 £
Within one year	636,317	701,590
Between 1-5 years	1,609,457	168,790
	<u>2,245,774</u>	<u>870,380</u>

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****19. Deferred taxation**

	2023 £	2022 £
At beginning of year	(511,399)	(483,493)
Charged to profit or loss	11,857	(27,906)
At end of year	(499,542)	(511,399)

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Fixed asset timing differences	(1,214,979)	(562,993)
Other timing differences	4,722	3,851
Losses and other deductions	710,715	47,743
	(499,542)	(511,399)

Barhale Construction Services Limited**Notes to the Financial Statements
For the Year Ended 30 June 2023****20. Share capital**

	2023	2022
	£	£
Authorised, allotted, called up and fully paid		
2 (2022 - 2) Ordinary shares of £1.00 each	2	2

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

21. Reserves**Profit and loss account**

This includes all current and prior periods retained profits and losses.

22. Prior year adjustment

In the prior year £767,000 of direct cost were included within administration expenses. There is no profit effect to this restatement.

23. Contingent liabilities

IGF Business Credit Limited hold a fixed and floating charge against the assets of the Company.

24. Capital commitments

At 30 June 2023, the company had capital commitments amounting to £150,000 (2022: £Nil).

25. Pension commitments

The Company contributes into the pension schemes of a number of employees. The scheme is a defined contribution money purchase scheme and the assets 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 £124,346 (2022: £119,151). Contributions totaling £18,567 (2022: £15,666) 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 2023****26. Commitments under operating leases**

At 30 June 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Property		
Not later than 1 year	130,000	130,000
Later than 1 year and not later than 5 years	520,000	520,000
Later than 5 years	98,301	228,301
	<u>748,301</u>	<u>878,301</u>
	2023 £	2022 £
Motor Vehicles		
Not later than 1 year	974,955	747,406
Later than 1 year and not later than 5 years	1,622,887	1,401,167
	<u>2,597,842</u>	<u>2,148,573</u>

27. Related party transactions

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

In the prior year, assets with an open market value of £nil (2022: £223,000) were sold in an arms length transaction to a company controlled by a director of a fellow group company.

28. Controlling party

Barhale Holdings Plc is the Company's ultimate parent company and the Company's ultimate controlling party is D A Curran.

Barhale Holdings Plc is the largest and smallest group of undertakings into which the results of the Company are consolidated. The financial statements of Barhale Holdings Plc are available from Companies House.