Registered number: 01808140

BARHALE CONSTRUCTION SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

COMPANY INFORMATION

Directors	J D Ripley A N Flowerday J Mulchinock M J Brown (appointed 6 September 2021)
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
Bank	Lloyds Bank plc 125 Colmore Row Birmingham West Midlands B3 3SF

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Introduction

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

Business review and future developments

The key financial highlights are as follows:

	2021	2020
	£	£
Turnover	19,489,450	20,994,171
Gross profit	1,220,818	3,783,521
Gross profit margin %	6	18
Operating profit	80,175	67,446
Total assets	10,882,180	12,905,226
Net assets	1,125,255	1,211,046

The company reported a profit before tax for the year of £57,864 *(2020: loss before tax of £127,769)*.

Turnover decreased slightly in the year, with reduced plant hire income outweighing the beneficial impact of COVID-19 on the signs and supplies business.

The plant hire business has a high level of fixed costs so consequently the reduction in turnover from this segment had a detrimental impact upon both the company's gross margin and gross margin percentage.

Overhead costs were reduced to mitigate the impact of this reduced gross margin.

In line with the group's policy, the company continued to closely manage working capital and cash balances. The cash balance at 30 June 2021 was £230,701 (*30 June 2020: £114,862*).

The company provides a range of services to the wider Barhale group. This internal income can be very cyclical as it is closely linked to water companies' spending periods. In the current year this revenue stream was lower than anticipated as a result of delays in construction projects proceeding to their delivery phase. This situation improved after the year end as delayed projects started to get underway and we expect this to improve further still with specific programmes of work having to be concluded by 2025.

The company invested £980,000 in plant and equipment in the year in order to maintain and upgrade the current fleet. The everchanging 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. The company will be expanding its fleet further in 2022 as demand returns.

The signs and supplies business saw growth arising from Covid-19 and benefited by reacting quickly to high customer demand for distancing signage and PPE.

Training is a key aspect of the group's Source, Train and Retain initiative. Additionally the company provides training courses and facilities to the wider construction industry. Social distancing due to Covid-19 limited the operating capacity of our training centre, and demand reduced, particularly for non-essential training courses.

In most other areas of the business there is little or no ongoing impact of Covid-19 and the board considers the company to be well placed to grow the business once more as the internal market improves.

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 skilled and qualified staff
- Maintaining plant utilisation rates
- The continued availability of asset finance

All risks are reviewed and monitored by the Risk and Audit Committee, a sub-committee of the main Barhale Holdings Plc Board. Individual risks are managed by a relevant owner and progress is reported on periodically.

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

Wherever possible, the company seeks to align its objectives with those of our clients and in turn, to those of our staff. The board are satisfied with the financial performance and 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 disposal in a 12 month rolling period
- Accident frequency rate
- Gas oil per £m turnover
- Near miss report frequency rate

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

This report was approved by the board on 22nd March 2022 and signed on its behalf.

Julian Ripley

J D Ripley
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Results and dividends

The loss for the year, after taxation, amounted to £85,791 *(2020: loss £145,609).*

Directors

The directors who served during the year were:

J D Ripley
A N Flowerday
J Mulchinock
M J Brown (appointed 6 September 2021)

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 GenerallyAccepted 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 ofthe state of affairs of the company 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 in conformity with the requirements of the Companies Act 2006 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.

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

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 ('Group'), the company's ultimate parent company, have prepared monthly cash flow forecasts for the Group to 30 June 2023 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.

Amid ongoing uncertainty around the ongoing Covid-19 pandemic, the company continue to apply appropriate social distancing, detection and other precautionary measures at all sites and offices. This, along with fact that our activities are categorised as Essential Works means there is no material impact anticipated on our future site operations.

In December 2021, Barhale Holdings plc, the company's ultimate parent company, 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 company 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.

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

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 a 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.

Disclosure of information to auditor

The directors confirm that:

- so far 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.

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 on 22nd March 2022 and signed on its behalf.

Julian Ripley

J D Ripley
Director

Grant Thornton

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, which comprise the Profit and loss account, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financialreporting framework that has been applied in their preparation is applicable law and United Kingdom AccountingStandards, 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 2021 and of its loss 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 macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

GrantThornton

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

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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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.

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

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 for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that arefree 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, orhave 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.

GrantThornton

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and Companies Act 2006).
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the Company's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations; and
  - the detection and response to the risks of fraud.
- 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.
- Audit procedures performed by the engagement team included:
  - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
  - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
  - identifying and testing related party transactions.
- 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.

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.

David White BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 22/3/2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £	2020 £
Turnover	4	**19,489,450**	*20,994,171*
Cost of sales		**(18,268,632)**	*(17,210,650)*
Gross profit		**1,220,818**	*3,783,521*
Administrative expenses		**(1,140,643)**	*(3,716,075)*
Operating profit	5	**80,175**	*67,446*
Interest payable and similar expenses	8	**(22,311)**	*(195,215)*
Profit/(loss) before tax		**57,864**	*(127,769)*
Tax on profit/(loss)	9	**(143,655)**	*(17,840)*
Loss for the financial year		**(85,791)**	*(145,609)*

There was no other comprehensive income for 2021 (*2020: £Nil*).

All amounts relate to continuing activities.

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

REGISTERED NUMBER:01808140

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note		2021 £		2020 £
Fixed assets					
Tangible assets	10		**7,052,554**		*8,997,808*
Investments	11		**283,020**		*283,020*
			7,335,574		*9,280,828*
Current assets					
Stocks	12	**1,380,690**		*1,396,211*	
Debtors: amounts falling due within one year	13	**1,935,215**		*2,113,325*	
Cash at bank and in hand	14	**230,701**		*114,862*	
		3,546,606		*3,624,398*	
Creditors: amounts falling due within one year	15	**(8,406,387)**		*(9,526,725)*	
Net current liabilities			**(5,224,386)**		*(5,902,327)*
Total assets less current liabilities			**2,111,188**		*3,378,501*
Creditors: amounts falling due after more than one year	16		**(867,046)**		*(1,898,629)*
Provisions for liabilities					
Deferred tax	19		**(483,493)**		*(268,826)*
Net assets			**1,125,255**		*1,211,046*
Capital and reserves					
Called up share capital	20		**2**		2
Profit and loss account	21		**1,125,253**		*1,211,044*
			1,125,255		*1,211,046*

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

Julian Ripley

J D Ripley
Director

Date: 21/3/2022

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2020	2	1,211,044	1,211,046
Loss for the year	-	(85,791)	(85,791)
Total comprehensive income for the year	-	(85,791)	(85,791)
At 30 June 2021	2	1,125,253	1,125,255

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2019	2	1,356,653	1,356,655
Loss for the year	-	(145,609)	(145,609)
Total comprehensive income for the year	-	(145,609)	(145,609)
At 30 June 2020	2	1,211,044	1,211,046

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

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 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 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 2021 and these financial statements may be obtained from Companies House.

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 ('Group'), the company's ultimate parent company, have prepared monthly cash flow forecasts for the Group to 30 June 2023 and stress tested these for reasonably possible alternative scenarios. These show that based on the company's order book and use of its currently agreed available facilities to December 2024, the Group will have sufficient liquidity to meetits liabilities as they fall due.

Amid ongoing uncertainty around the ongoing Covid-19 pandemic, the company continue to apply appropriate social distancing, detection and other precautionary measures at all sites and offices. This, along with fact that our activities are categorised as Essential Works means there is no material impact anticipated on our future siteoperations.

In December 2021, Barhale Holdings plc, the company's ultimate parent company, 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 company 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.

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

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 a 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. *Accounting policies (continued)*

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.

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 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.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2. Accounting policies (continued)

2.8 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 profit or loss 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.

2.9 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 ofoperating 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.

Depreciation is provided on the following basis:

Plant and equipment for hire	- 15% - 33% reducing balance
Tunneling equipment for hire	- 15% reducing balance
Workshop equipment	- 10% straight-line
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 or loss.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 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. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 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.

2.15 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 profit or loss 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.

2. Accounting policies (continued)

2.16 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 in case of anout-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 Profit and loss account.

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.

2. Accounting policies (continued)

2.17 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 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 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.

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.

Going concern
When preparing the financial statements, directors are required to make an assessment of the entity's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

After reviewing the most recent forecasts and having carefully considered the material uncertainty, and the mitigating actions available, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

4. Turnover

Analysis of turnover by country of destination:

	2021 £	*2020* *£*
United Kingdom	**19,489,450**	*20,994,171*

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:

	2021 £	*2020* *£*
Depreciation of tangible fixed assets - owned assets	**675,165**	*684,184*
Depreciation of tangible fixed assets - hire purchase	**1,135,168**	*905,873*
Operating lease rentals - property rent	**138,500**	*135,580*
Operating lease rentals - motor vehicles	**549,225**	*754,029*

6. Auditor's remuneration

Auditor's remuneration of £7,100 *(2020: £5,000)* has been borne by Barhale Limited, a company also under the control of Barhale Holdings Plc.

Fees payable to the company's auditor in relation to non-audit services are disclosed, on a consolidated basis, in the consolidated financial statements of Barhale Holdings Plc.

7. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	3,194,911	2,926,649
Social security costs	257,987	274,762
Cost of defined contribution pension scheme	120,938	149,279
	3,573,836	3,350,690

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

	2021 No.	2020 No.
Wages and salaries	37	46
Cost of defined contribution pension scheme	53	58
	90	104

The directors are remunerated through Barhale Limited, a group undertaking

8. Interest payable and similar expenses

	2021 £	2020 £
Interest on intercompany loans	22,311	63,807
Finance leases and hire purchase contracts	179,079	131,408
	201,390	195,215

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	(69,459)	1.553
Total current tax	**(69,459)**	1,553
Deferred tax		
Origination and reversal of timing differences	106,365	(13,423)
Adjustments in respect of previous periods	16,611	-
Effects of tax rate changes	90,138	29,710
Total deferred tax	**213,114**	16,287
Taxation on profit on ordinairy activities	**143,655**	17,840

9. Taxation (continued)

Factors affecting tax charge for the year

he tax assessed for the year is higher than *(2020: higher than)* the standard rate of corporation tax in the UK of 19% *(2020: 19%)*. The differences are explained below:

	2021 £	2020 £
Profit/(loss) on ordinary activities before tax	**57,864**	*(127,769)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**10,994**	*(24,276)*
Effects of:		
Fixed asset differences	**(935)**	*1,850*
Expenses not deductible for tax purposes	**1,319**	*4,271*
Adjustments to current tax charge in respect of prior periods	**(69,459)**	*1,553*
Adjustments to deferred tax in respect of prior periods	**16,611**	-
R&D expenditure credits	-	*(1,553)*
Group relief claimed	-	*6,285*
Effects of tax rate change	**115,666**	*29,710*
Unrelieved tax losses carried forward	**69,459**	*17,840*

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25%, effective from April 2023 was substantively enacted in October 2021.

Deferred tax has been measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the rate and laws that have been enacted or substantially enacted by the Statement of financial position date.

10. Tangible Fixed Assets

	Plant and equipment for hire	Tunneling equipment for hire	Workshop equipment	Motor Vehicles	Fixtures and Fittings	Long-term leasehold property	Total
	£	£	£	£	£	£	£
Cost							
At 1 July 2020	7,918,131	4,857,018	417,259	2,839,087	31,412	42,843	16,105,750
Additions	165,133	2,250	11,835	-	-	-	179,218
Disposals	(649,127)	-	(470)	(154,183)			(803,780)
At 30 June 2021	7,434,137	4,859,268	428,624	2,684,904	31,412	42,843	15,481,188
Depreciation							
At 1 July 2020	2,640,777	2,867,776	138,038	1,448,847	7,579	4,925	7,107,942
Charge for the year on owned assets	741,077	561,917	33,122	466,358	3,575	4,284	1,810,333
Disposals	(356,481)	-	(243)	(132,917)	-	-	(489,641)
At 30 June 2021	3,025,373	3,429,693	170,917	1,782,288	11,154	9,209	8,428,634
Net Book Value							
At 30 June 2021	4,408,764	1,429,575	257,707	902,616	20,258	33,634	7,052,554
At 30 June 2020	*5,277,354*	*1,989,242*	*279,221*	*1,390,240*	*23,833*	*37,918*	*8,997,808*

10. Tangible fixed assets (continued)

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

	2021 £	*2020* £
Plant and machinery	**3,894,840**	*3,840,175*
Motor Vehicles	**414,243**	*1,318,774*
	4,309,083	*5,158,949*

11. Investments

	Investments in subsidiary companies £
Cost	
At 1 July 2020	**283,020**
At 1 July 2021	**283,020**
Net Book Value	
At 1 July 2020	**283,020**
At 1 July 2021	**283,020**

Direct subsidiary undertaking

Name	**Address**	**Principal activity**	**Class of shares**	**Holding**
Fleming & Company (Machinery) Limited	Woodhead Road, South Nitshill, Glasgow, G53 7NX	Sale of construction supplies and consumables	Ordinary	100%

12. Stocks

	2021 £	*2020* *£*
Raw materials and consumables	**1,380,690**	*1,396,211*

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 £9,595,903 *(2020: £10,462,999)*.

An impairment loss of £Nil *(2020: £Nil)* was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

13. Debtors

	2021 £	*2020* *£*
Trade debtors	**1,763,078**	*2,013,123*
Amounts recoverable from contracts	**28,625**	*65,662*
Other debtors	**14,629**	*-*
Prepayments and accrued income	**59,424**	*34,540*
Tax recoverable	**69,459**	*-*
	1,935,215	*2,113,325*

A provision for bad debts of £Nil *(2020: £Nil)* was recognised against trade debtors.

14. Cash and cash equivalents

	2021 £	*2020* *£*
Cash at bank and in hand	**230,701**	*114,862*
Less: Debt purchase facility	**(809,637)**	*-*
	(578,936)	*114,862*

15. Creditors: amounts falling due within one year

	2021 £	*2020* *£*
Debt purchase facility	**809,637**	-
Trade creditors	**2,416,195**	*2,202,222*
Amounts owed to group undertakings	**1,962,764**	*3,039,745*
Other taxation and social security	**396,540**	*500,005*
Obligations under finance lease and hire purchase contracts	**1,106,873**	*1,757,651*
Other creditors	**48,590**	*42,155*
Accruals and deferred income	**1,665,788**	*1,984,947*
	8,406,387	*9,526,725*

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

The debt purchase facility is secured under a fixed and floating charge over the company's assets.

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.

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

	2021 £	*2020* *£*
Obligations under finance lease and hire purchase contracts	**867,045**	*1,898,629*

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

17. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	*2020* *£*
Within one year	**1,106,873**	*1,757,651*
Between 1-5 years	**867,045**	*1,898,629*
	1,973,918	*3,656,280*

18. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	**230,701**	*114.862*
Financial assets that are debt instruments measured at amortised cost	**1,763,078**	*2,013,123*
	1,993,779	*2,127,985*
Financial liabilities		
Financial liabilities measured at amortised cost	**(7,366,649)**	*(10,601,649)*

Financial assets that are debt instruments measured at amortised cost comprise trade 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.

19. Deferred taxation

	2021 £
At beginning of year	**(268,826)**
Charged to profit or loss	**(213,114)**
At end of year	**(481,940)**

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	**(520,254)**	*(488,369)*
Tax losses carried forward	**34,197**	*216,743*
Short term differences	**4,117**	*2,800*
	(481,940)	*(268,826)*

20. Share capital

	2021 £	*2020 £*
Allotted, called up and fully paid		
2 (2020: 2) Ordinary shares of £1 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. Contingent liabilities

An omnibus guarantee and set off agreement exists with Lloyds Bank plc, Barhale Limited, Barhale Construction Services Limited and Barhale Properties Limited together with such other security as the bank may from time to time hold in respect of the debts and liabilities of any guarantor to the bank.

23. Pension commitments

The company operates a defined contribution 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 £120,938 *(2020: £149,279)*. Contributions totaling £16,654 *(2020: £14,737)* were payable to the fund at the reporting date and are included in creditors.

24. Commitments under operating leases

At 30 June 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	*2020* *£*
Motor vehicles		
Not later than 1 year	**428,198**	*598,843*
Later than 1 year and not later than 5 years	**633,863**	*479,449*
	1,062,061	*1,078,292*
Property		
Not later than 1 year	**135,500**	*135,500*
Later than 1 year and not later than 5 years	**520,226**	*525,726*
Later than 5 years	**358,301**	*488,301*
	1,014,027	*1,149,527*

25. 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.

26. Capital commitments

At 30 June 2021, the company had capital commitments amounting to £Nil *(2020: £Nil).*

27. 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.