

Company Registration No. 04272798 (England and Wales)

GLOBAL RAIL CONSTRUCTION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

**Faulkner House
Victoria Street
St Albans
Hertfordshire
AL1 3SE**

**Rayner Essex LLP
Chartered Accountants**

GLOBAL RAIL CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	M G Lombardelli I P Holloway
Secretary	M Lombardelli
Company number	04272798
Registered office	Units 18-20, The io Centre Hatfield Business Park Hearle Way Hatfield Hertfordshire AL10 9EW
Auditor	Rayner Essex LLP Faulkner House Victoria Street St Albans Hertfordshire AL1 3SE

GLOBAL RAIL CONSTRUCTION LIMITED

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GLOBAL RAIL CONSTRUCTION LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

The principal activity of the company continued to focus primarily within the rail sector. Our core service offerings focus on design and build within civil/structural, E&P (M&E) signalling installation and test and commissioning. We have maintained our key accreditations across the business including ISO 9001, 14001 and 18001 and Principal Contractor status for both Network Rail and Transport For London in addition to being accredited Tier 1 status for Network Rail. Since our inception in 2001, we are extremely proud of what we have achieved, and even more excited about our outlook for an equally promising future. We have successfully transitioned from a small labour supply start-up and become a respected turnkey solutions provider, garnering business from across three nations whilst earning our clients' trust and respect along the way. We have an excellent reputation for delivering the personal touch, something that is embedded within the culture of the business.

Principal risks and uncertainties

Monitoring cash flows are essential as the company can engage at any one time on a number of long term contracts. The company continues to implement robust financial forecasting to monitor cash flow and to ensure working capital requirements are adequate to support the company's present and future growth plans.

The directors consider that existing reserves provide adequate collateral if activity declines. The directors are satisfied that the current level of sales activity will ensure that the company's cash flow requirements are met.

The need to monitor cash flows link into reducing the liquidity risk of the company as discussed in the Director's Report.

The UK's decision to leave the EU continues to create a level of uncertainty in the British economy and so impacts on our clients' spending. The result of this is to impact revenue and profitability. However the company's reputation alongside its high service levels will stand the company in good stead during this time.

Development and performance

Our USP is our people and our long term strategy to invest in and develop our staff, incorporating a programme of continuous improvement and on-going staff education and development.

Our strategic leadership team is proactive in developing and implementing new processes and technology to support our aim of continuous improvement and to deliver our obligations safely and successfully. In earlier years our business had grown considerably and the transformational change the company had undergone to achieve our goals and objectives had been exceptional. We now focus on our core capabilities such as Civil/Structural Design and E&P (M&E) to further enhance our internally delivered turnkey capabilities. This has led to the continual award of key frameworks and high profile projects which have assisted in maintaining us as a 'contractor of choice' amongst our industry partners.

Key performance indicators

The gross profit margin achieved in the year was 24.8% (2018: 22.4%), net profit margin before tax for the year was 3.5% (2018: 3.4%) and the return on capital employed for the year amounted to 11.9% (2018: 14.5%).

The current ratio of the company is 2.2:1 (2018: 1.84:1) and the average number of employees is 40 (2018: 43).

GLOBAL RAIL CONSTRUCTION LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Other information and explanations

The net assets of the company as at 31 December 2019 amounted to £4,360,254 (2018: £3,938,985).

On behalf of the board

M G Lombardelli

Director

5 June 2020

GLOBAL RAIL CONSTRUCTION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of railway construction, E&P and S&T installation and maintenance work; as discussed in further detail in the Strategic Report.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M G Lombardelli

I P Holloway

Results and dividends

The results for the year are set out on page 8 and have been discussed against our key performance indicators in the Strategic Report.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Liquidity risk

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and amounts recoverable on long-term contracts. The main purpose of these instruments is to raise funds and to finance the company's operations.

Trade debtors are managed in respect of credit and cash flow risk by adhering to policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Liquidity risk is managed from existing cash reserves and monitoring cash flows which is discussed in further detail in the Strategic Report. The company has no requirement for formal short or long term debt facilities.

Future developments

The directors anticipate that turnover will increase over the forthcoming year with gross profit margins maintained through the efficient use of assets employed and by successfully obtaining new projects.

The company aims to further align core services with new technologies and with strategic partnerships in 2020 and continue driving success through dedication to quality and safety excellence.

The directors have considered the potential impact of Covid-19 on the company and its ability to continue trade as a going concern, and the associated risks to the business as a whole. The directors consider that the company is well placed as a number of the company's projects class as key works so for the most part, the company has been able to continue trading during the government enforced lockdown. However, the directors are mindful of the uncertainties surrounding the impact of Covid-19 on the UK economy and the principal risk to the company is the ability to continue to provide construction work to its clients while certain restrictions are imposed on businesses and organisations as a whole. The directors have put in place a risk assessment to combat the potential risks associated with this issue to the best of their abilities.

Auditor

In accordance with the company's articles, a resolution proposing that Rayner Essex LLP be reappointed as auditor of the company will be put at a General Meeting.

GLOBAL RAIL CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

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

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to credit, liquidity and cash flow risk are described in the Strategic Report.

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks.

After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board

M G Lombardelli

Director

5 June 2020

GLOBAL RAIL CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLOBAL RAIL CONSTRUCTION LIMITED

Opinion

We have audited the financial statements of Global Rail Construction Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 31 December 2019 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.

The Impact of uncertainties due to Covid-19 on our audit

Uncertainties related to the global effects of Covid-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as impairment of fixed assets, recoverability of debtors, work in progress and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 is one of the most significant global economic events presently and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. No audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Covid-19.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, as not all future events or conditions can be predicted, such as the impact of Covid-19, and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor report is not a guarantee that the company will continue in operation as a going concern.

GLOBAL RAIL CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GLOBAL RAIL CONSTRUCTION LIMITED

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 our 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.

Matters on which we are required to report by exception

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 and the directors' report.

We have nothing to report in respect of the following matters where 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, 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.

GLOBAL RAIL CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GLOBAL RAIL CONSTRUCTION LIMITED

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

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.

Neil Heyes FCA (Senior Statutory Auditor)
for and on behalf of Rayner Essex LLP

8 June 2020

Chartered Accountants
Statutory Auditor

Faulkner House
Victoria Street
St Albans
Hertfordshire
AL1 3SE

GLOBAL RAIL CONSTRUCTION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	15,124,118	16,810,998
Cost of sales		(11,379,496)	(13,051,931)
Gross profit		<u>3,744,622</u>	<u>3,759,067</u>
Administrative expenses		(3,216,283)	(3,182,568)
Operating profit	4	<u>528,339</u>	<u>576,499</u>
Interest receivable and similar income	7	-	2,306
Interest payable and similar expenses	8	(3,121)	(2,706)
Profit before taxation		<u>525,218</u>	<u>576,099</u>
Tax on profit	9	(103,949)	(108,517)
Profit for the financial year		<u><u>421,269</u></u>	<u><u>467,582</u></u>

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

GLOBAL RAIL CONSTRUCTION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	10		248,130		250,447
Current assets					
Debtors	11	6,212,076		4,962,122	
Cash at bank and in hand		1,423,443		3,175,467	
		<u>7,635,519</u>		<u>8,137,589</u>	
Creditors: amounts falling due within one year	12	<u>(3,470,659)</u>		<u>(4,412,475)</u>	
Net current assets			<u>4,164,860</u>		<u>3,725,114</u>
Total assets less current liabilities			<u>4,412,990</u>		<u>3,975,561</u>
Creditors: amounts falling due after more than one year	13		(39,032)		(19,007)
Provisions for liabilities	15		(13,704)		(17,569)
Net assets			<u>4,360,254</u>		<u>3,938,985</u>
Capital and reserves					
Called up share capital	18		2		2
Profit and loss reserves			<u>4,360,252</u>		<u>3,938,983</u>
Total equity			<u>4,360,254</u>		<u>3,938,985</u>

The financial statements were approved by the board of directors and authorised for issue on 5 June 2020 and are signed on its behalf by:

M G Lombardelli

Director

Company Registration No. 04272798

GLOBAL RAIL CONSTRUCTION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2018	2	3,471,401	3,471,403
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	467,582	467,582
Balance at 31 December 2018	2	3,938,983	3,938,985
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	421,269	421,269
Balance at 31 December 2019	2	4,360,252	4,360,254

GLOBAL RAIL CONSTRUCTION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	24				
		(1,376,581)		2,057,874	
Interest paid		(3,121)		(2,706)	
Income taxes paid		(118,598)		(76,775)	
Net cash (outflow)/inflow from operating activities					
		(1,498,300)		1,978,393	
Investing activities					
Purchase of tangible fixed assets		(77,909)		(46,250)	
Proceeds on disposal of tangible fixed assets		538		960	
Proceeds from other investments and loans		(203,966)		(40,803)	
Interest received		-		2,306	
Net cash used in investing activities					
		(281,337)		(83,787)	
Financing activities					
Payment of finance leases obligations		27,613		(4,057)	
Net cash generated from/(used in) financing activities					
		27,613		(4,057)	
Net (decrease)/increase in cash and cash equivalents					
		(1,752,024)		1,890,549	
Cash and cash equivalents at beginning of year		3,175,467		1,284,918	
Cash and cash equivalents at end of year					
		1,423,443		3,175,467	

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Global Rail Construction Limited is a private company limited by shares incorporated in England and Wales. The registered office is Units 18-20, The io Centre, Hatfield Business Park, Hearle Way, Hatfield, Hertfordshire, AL10 9EW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Revenue is recognised to the extent that it can be measured reliably and is included at the fair value of the consideration received or receivable.

Revenue includes the invoiced amount of goods and services provided by the company except to the extent that they relate to long term construction projects when construction contract accounting is applied.

Construction contract accounting is applied for railway and signalling projects. When the outcome can be estimated reliably, revenue and contract costs are recognised as revenue and expensed respectively by reference to the percentage of completion of the contract activity at the end of the reporting period. The stage of completion is determined by valuations assessed by internal quantity surveyors. Contract revenues include the purchase price agreed with the customer considering escalation formulas, contract amendments and claims and penalties when assessed as probable.

Whenever the outcome of a construction contract cannot be estimated reliably - for example during early stages of a contract or during the course of a contract's completion - all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable.

Revenue in respect of variations to contracts is recognised when it is virtually certain it will be agreed by the customer.

Impairments for loss making contracts are made when it becomes probable that the total contract costs will exceed total contract revenues.

Turnover is derived from ordinary activities and stated net of VAT.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. The company adopts a policy not to capitalise associated borrowing costs which are expensed over the life of borrowing.

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	over the term of the lease
Plant and equipment	25% on written down value
Fixtures and fittings	25% on written down value
Motor vehicles	25% on cost with a specific residual value

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Amounts recoverable on long term contracts

Gross amounts owed by contract customers represent the gross unbilled income for contract work performed to date less previously billed work (which is included in trade debtors). They are measured in accordance with the revenue accounting policy less a provision for foreseeable losses. This ensures gross amounts owed by contract customers are shown at their recoverable amount.

In accordance with invariable industry practice the assessment of the recoverable amount for each contract requires that the directors' exercise professional judgement in determining estimates included in these calculations. This is especially the case as the outcome cannot always be determined with absolute certainty. Where estimates are used, they are constantly reviewed and amended to actual outcomes once known.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Amounts arising from construction contracts	15,124,118	16,810,998

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3	Turnover and other revenue	(Continued)	
		2019	2018
		£	£
	Other significant revenue		
	Interest income	-	2,306
		<u> </u>	<u> </u>
		2019	2018
		£	£
	Turnover analysed by geographical market		
	United Kingdom	15,124,118	16,810,998
		<u> </u>	<u> </u>

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	15,000	13,750
Depreciation of owned tangible fixed assets	35,310	48,864
Depreciation of tangible fixed assets held under finance leases	37,083	50,304
Loss on disposal of tangible fixed assets	7,297	2,729
Operating lease charges	72,357	73,440
	<u> </u>	<u> </u>

5 Employees

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

	2019 Number	2018 Number
Employees	38	41
Directors	2	2
	<u> </u>	<u> </u>
	40	43
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,969,457	1,942,836
Social security costs	180,126	180,905
Pension costs	32,106	22,276
	<u> </u>	<u> </u>
	2,181,689	2,146,017
	<u> </u>	<u> </u>

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	308,053	272,962
	<u> </u>	<u> </u>

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	220,093	239,300
Company pension contributions to defined contribution schemes	1,188	702
	<u>221,281</u>	<u>240,002</u>

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	-	2,306
	<u>-</u>	<u>2,306</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	-	2,306
	<u>-</u>	<u>2,306</u>

8 Interest payable and similar expenses

	2019 £	2018 £
Other finance costs:		
Interest on finance leases and hire purchase contracts	3,121	2,706
	<u>3,121</u>	<u>2,706</u>

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	107,814	118,598
	<u>107,814</u>	<u>118,598</u>
Deferred tax		
Origination and reversal of timing differences	(3,865)	(10,081)
	<u>(3,865)</u>	<u>(10,081)</u>
Total tax charge	<u>103,949</u>	<u>108,517</u>

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	525,218	576,099
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	99,791	109,459
Tax effect of expenses that are not deductible in determining taxable profit	2,690	937
Depreciation on assets not qualifying for tax allowances	5,333	8,202
Deferred tax movement	(3,865)	(10,081)
Taxation charge for the year	103,949	108,517

10 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2019	170,553	135,787	159,833	442,907	909,080
Additions	-	-	3,645	74,264	77,909
Disposals	-	-	-	(45,325)	(45,325)
At 31 December 2019	170,553	135,787	163,478	471,846	941,664
Depreciation and impairment					
At 1 January 2019	139,739	108,228	99,613	311,053	658,633
Depreciation charged in the year	4,681	9,402	15,418	42,890	72,391
Eliminated in respect of disposals	-	-	-	(37,490)	(37,490)
At 31 December 2019	144,420	117,630	115,031	316,453	693,534
Carrying amount					
At 31 December 2019	26,133	18,157	48,447	155,393	248,130
At 31 December 2018	30,814	27,559	60,220	131,854	250,447

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 £	2018 £
Plant and equipment	11,199	-
Motor vehicles	143,747	96,439
	<u>154,946</u>	<u>96,439</u>

11 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	2,107	203,629
Gross amounts owed by contract customers	5,424,377	4,289,347
Other debtors	634,563	304,012
Prepayments and accrued income	151,029	165,134
	<u>6,212,076</u>	<u>4,962,122</u>

12 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Obligations under finance leases	14	33,771	26,183
Trade creditors		1,935,210	2,738,674
Corporation tax		107,814	118,598
Other taxation and social security		126,231	322,013
Other creditors		38,736	39,583
Accruals and deferred income		1,228,897	1,167,424
		<u>3,470,659</u>	<u>4,412,475</u>

13 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	14	39,032	19,007
		<u>39,032</u>	<u>19,007</u>

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

14 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	36,263	28,506
In two to five years	42,743	20,740
	<u>79,006</u>	<u>49,246</u>
Less: future finance charges	(6,203)	(4,056)
	<u>72,803</u>	<u>45,190</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

15 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	16	13,704	17,569
		<u>13,704</u>	<u>17,569</u>

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	13,704	17,569
	<u>13,704</u>	<u>17,569</u>
Movements in the year:		2019 £
Liability at 1 January 2019		17,569
Credit to profit or loss		(3,865)
		<u>13,704</u>
Liability at 31 December 2019		<u>13,704</u>

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	32,106	22,276
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
2 Ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

Each ordinary share has full voting rights, dividend rights and entitlement on a capital distribution. The company is entitled to buy back its shares.

19 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for the occupation of properties. Leases are negotiated for an average term of 5 to 20 years and rentals are fixed for an average of 1 to 5 years.

In addition, the company has operating leases in respect of specific equipment. The lease period is for average of 1 to 3 years with no break clause.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	65,170	58,000
Between two and five years	242,158	232,000
In over five years	140,167	198,167
	<u> </u>	<u> </u>
	447,495	488,167
	<u> </u>	<u> </u>

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

20 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	432,947	433,704

The company has traded with Global Rail Services Limited, a company incorporated in Ireland in which M G Lombardelli and I P Holloway are shareholders. Services provided to Global Rail Services Limited during the year amounted to £NIL (2018: £43,819) and services provided by Global Rail Services Limited during the year amounted to £NIL (2018: £138,833). Recharged costs during the year amounted to £182,961 (2018: £200,597). The balance owed by Global Rail Services Limited as at 31 December 2019 amounted to £247,448 (2018: £161,505), which is repayable on demand.

The company has traded with Global Rail (Australia) Pty Limited, a company incorporated in Australia in which M G Lombardelli and I P Holloway are directors. Recharged costs during the year amounted to £39,614 (2018: £38,163). The balance owed by Global Rail (Australia) Pty Limited as at 31 December 2019 amounted to £128,392 (2018: £88,779), which is repayable on demand.

I.P.M. Personal Pension Trustees Limited are the trustees of a pension fund of which the directors are beneficiaries. During the year, the company paid rent and service charges to I.P.M. Personal Pension Trustees Limited amounting to £72,357 (2018: £72,000). There was no outstanding balance owed to I.P.M Personal Pension Trustees Limited as at 31 December 2019 (2018: £Nil).

The company gave a loan to a family member of one of the directors amounting to £3,000 (2018:£nil). At the year end £1,900 was owed to the company (2018:£nil).

21 Ultimate controlling party

The company has been controlled throughout the year by the directors, who together own all the shares in issue.

22 Directors' transactions

During the year the company provided financial support to the directors. Payments to the directors during the year amounted to £255,377 (2018: £51,411). The balance owed by the directors as at 31 December 2019 amounted to £255,377 (2018: £51,411).

23 Analysis of changes in net funds

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	3,175,467	(1,752,024)	1,423,443
Obligations under finance leases	(45,190)	(27,613)	(72,803)
	<u>3,130,277</u>	<u>(1,779,637)</u>	<u>1,350,640</u>

GLOBAL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Cash (absorbed by)/generated from operations		
	2019	2018
	£	£
Profit for the year after tax	421,269	467,582
Adjustments for:		
Taxation charged	103,949	108,517
Finance costs	3,121	2,706
Investment income	-	(2,306)
Loss on disposal of tangible fixed assets	7,297	2,729
Depreciation and impairment of tangible fixed assets	72,391	99,166
Movements in working capital:		
Increase in debtors	(1,045,988)	(67,520)
(Decrease)/increase in creditors	(938,620)	1,447,000
Cash (absorbed by)/generated from operations	(1,376,581)	2,057,874

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.