

Company registration number 07981946 (England and Wales)

**MCRAIL CONSTRUCTIONS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

# MCRAIL CONSTRUCTIONS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr D McLoughlin Mr P McNally
<b>Company number</b>	07981946
<b>Registered office</b>	Canal Wharf Horsenden Lane North Greenford UB6 7PH
<b>Auditor</b>	Evans Mockler Limited 5 Beauchamp Court Victors Way Barnet London EN5 5TZ

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# **MCRAIL CONSTRUCTIONS LIMITED**

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# MCRAIL CONSTRUCTIONS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2022

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The directors present the strategic report for the year ended 31 March 2022.

#### Fair review of the business

The company has seen a decrease in turnover from £31.8m in 2021 to £31.4m in 2022.

The company's plan to secure controlled growth has progressed with the appointment of additional senior management and staff, including, Commercial, Health & Safety and Finance with the aim of improving its management systems, assets and processes.

#### Forward order book

The pipeline for opportunities is strong in the company's key market sectors, Construction, Rail Infrastructure and other public projects. The Company is focusing its sights on expanding in these sectors by continued investment.

The company's current order book is healthy, with works already secured for 2022/2023.

The company remains committed to retaining its client base, the continued high percentage of repeat business provides a constant reminder of the company's ability to satisfy clients requirements whilst recognising the need to offer its clients added value and reduced costs to maintain its competitive edge.

#### Principal risks and uncertainties

The company remains committed to its policy of managing its exposure to risk. Continuous monitoring of sales income, costs, and overheads together with robust cash management is a significant factor in its ability to make informed decisions about its future.

The company continues to enjoy a good reputation in the industry for prompt payment of its supply chain and remains committed to ensuring that its creditors are discharged within terms. Working closely with our supply chain is important in bringing certainty on project delivery and remains an integral part of the company's approach.

Health & safety continues to be pivotal in the company's management of risks to the business as a whole, and the company is keen to keep Health & Safety and the environment at the forefront to our overall reputation in the marketplace.

#### Financial risks management and policies

The company is robust in credit risk in management and administration of its supply chain and trade receivables within contractual obligations. A strong secured order book supports a healthy cash balance going forward.

The importance of financial risk and management remains, financial checks are carried out on clients and trade contractors prior to entering contracts with ad-hoc review during the process of the projects, continuously evaluating risk exposure.

The directors remain mindful of the challenges the company faces in the industry that they operate in and are committed to meeting them.

#### Key performance indicators

The key financial highlights for the company for the last four years are as follows:

	2022	2021	2020	2019	2018
Turnover	£'000 31,372	31,877	26,726	18,271	15,177
Profit before taxation	£'000 688	756	1,077	662	411
Net assets	£'000 3,488	3,034	2,416	1,494	880

# **MCRAIL CONSTRUCTIONS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2022***

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### **Research and development(R&D)**

The company remains committed to the continuous development of its methods ,systems and processes through R&D. It's focus on providing innovative robust processes and solutions that significantly benefits including health and safety, time,costs savings and improved quality to our clients.

### **Accreditations and Awards**

The company continues with its accreditations to ISO 9001,14001,45001 and memberships to CHAS, Constructionline,SMAS,Builders profile and RISQS.

On behalf of the board

Mr P McNally

**Director**

23 December 2022

# **MCRAIL CONSTRUCTIONS LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 MARCH 2022***

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The directors present their annual report and financial statements for the year ended 31 March 2022.

#### **Principal activities**

The principal activity of the company continued to be that of civil engineering.

#### **Results and dividends**

Ordinary dividends were paid amounting to £128,000. The directors do not recommend payment of a further dividend.

#### **Directors**

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

Mr D McLoughlin

Mr P McNally

#### **Future developments**

The company closely monitors the economic situation in the UK, particularly with respect to the current COVID-19 crisis and the UK Governments negotiations with the EU and takes all necessary measures to ensure the company adapts to meet the needs of the market, details of which are set out in the strategic report.

Since the balance sheet date, the world economy has seen the full impact of the COVID-19 pandemic. While the directors expect the global and national economic environments to impact on the construction sector they believe the company is well positioned to achieve its objectives of a reduced activity level, but increasing profitability through good revenue visibility, tight cost controls and a good project pipeline.

#### **Auditor**

Evans Mockler Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be put at a General Meeting.

#### **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.

On behalf of the board

Mr P McNally

**Director**

23 December 2022

## **MCRAIL CONSTRUCTIONS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2022***

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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;
- 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.

# MCRAIL CONSTRUCTIONS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF MCRAIL CONSTRUCTIONS LIMITED

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#### Opinion

We have audited the financial statements of McRail Constructions Limited (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

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

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### 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.



# **MCRAIL CONSTRUCTIONS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF MCRAIL CONSTRUCTIONS LIMITED**

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#### **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 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.

#### **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.

#### **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.

#### *Extent to which the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the Directors (as required by auditing standards).
- we had regard to laws and regulations in areas that directly affect the financial statements including financial reporting and taxation legislation. We considered that extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- with the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors.
- we communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
- we addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

# **MCRAIL CONSTRUCTIONS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF MCRAIL CONSTRUCTIONS LIMITED**

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Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Other matters which we are required to address**

In the previous accounting period the directors of the company took advantage of audit exemption under s477 of the Companies Act. Therefore the prior period financial statements were not subject to audit and the corresponding figures in the current period financial statements are unaudited.

#### **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.

**Simon Toghil**  
**Senior Statutory Auditor**  
**For and on behalf of Evans Mockler Limited**

23 December 2022

**Chartered Certified Accountants**  
**Statutory Auditor**

5 Beauchamp Court  
Victors Way  
Barnet  
London  
EN5 5TZ

## MCRAIL CONSTRUCTIONS LIMITED

### PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	31,372,947	31,877,696
Cost of sales		(29,592,845)	(30,075,916)
<b>Gross profit</b>		<b>1,780,102</b>	<b>1,801,780</b>
Administrative expenses		(1,063,428)	(1,041,640)
<b>Operating profit</b>		<b>716,674</b>	<b>760,140</b>
Interest payable and similar expenses		(28,663)	(3,275)
<b>Profit before taxation</b>		<b>688,011</b>	<b>756,865</b>
Tax on profit	5	(105,423)	46,705
<b>Profit for the financial year</b>		<b>582,588</b>	<b>803,570</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# MCRAIL CONSTRUCTIONS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Profit and loss reserves	Total
Notes	£	£	£
<b>Balance at 1 April 2020</b>	100	2,416,539	2,416,639
<b>Year ended 31 March 2021:</b>			
Profit and total comprehensive income for the year	-	803,570	803,570
Dividends	-	(186,000)	(186,000)
<b>Balance at 31 March 2021</b>	100	3,034,109	3,034,209
<b>Year ended 31 March 2022:</b>			
Profit and total comprehensive income for the year	-	582,588	582,588
Dividends	-	(128,000)	(128,000)
<b>Balance at 31 March 2022</b>	100	3,488,697	3,488,797

# MCRAIL CONSTRUCTIONS LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Tangible assets	6		734,573		189,490
<b>Current assets</b>					
Debtors	7	11,181,076		11,890,468	
Cash at bank and in hand		653,578		976,925	
		<u>11,834,654</u>		<u>12,867,393</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(7,616,029)</u>		<u>(8,238,528)</u>	
<b>Net current assets</b>			<u>4,218,625</u>		<u>4,628,865</u>
<b>Total assets less current liabilities</b>			<u>4,953,198</u>		<u>4,818,355</u>
<b>Creditors: amounts falling due after more than one year</b>	9		(1,324,832)		(1,750,000)
<b>Provisions for liabilities</b>			<u>(139,569)</u>		<u>(34,146)</u>
<b>Net assets</b>			<u><u>3,488,797</u></u>		<u><u>3,034,209</u></u>
<b>Capital and reserves</b>					
Called up share capital	10		100		100
Profit and loss reserves			<u>3,488,697</u>		<u>3,034,109</u>
<b>Total equity</b>			<u><u>3,488,797</u></u>		<u><u>3,034,209</u></u>

The financial statements were approved by the board of directors and authorised for issue on 23 December 2022 and are signed on its behalf by:

Mr P McNally  
Director

Company Registration No. 07981946

# MCRAIL CONSTRUCTIONS LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	11	(307,916)	(1,606,801)
Interest paid		(28,663)	(3,275)
Income taxes paid		-	(43,880)
<b>Net cash outflow from operating activities</b>		<u>(336,579)</u>	<u>(1,653,956)</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(662,618)	(11,919)
Proceeds from disposal of tangible fixed assets		71,859	-
<b>Net cash used in investing activities</b>		<u>(590,759)</u>	<u>(11,919)</u>
<b>Financing activities</b>			
Proceeds from borrowings		589,096	-
Increase in bank loans		239,278	1,967,678
Payment of finance leases obligations		(96,383)	(61,569)
Dividends paid		(128,000)	(186,000)
<b>Net cash generated from financing activities</b>		<u>603,991</u>	<u>1,720,109</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(323,347)</u>	<u>54,234</u>
Cash and cash equivalents at beginning of year		976,925	922,691
<b>Cash and cash equivalents at end of year</b>		<u><u>653,578</u></u>	<u><u>976,925</u></u>

# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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### 1 Accounting policies

#### Company information

McRail Constructions Limited is a private company limited by shares incorporated in England and Wales. The registered office is Canal Wharf, Horsenden Lane North, Greenford, UB6 7PH.

#### 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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is a member qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

#### 1.2 Turnover

Revenue is defined as the value of goods and services rendered excluding discounts and VAT and is recognised as follows:

##### Contract accounting

Revenue comprises the fair value of construction carried out in the year, based on an internal assessment of work carried out. Once the outcome of a construction contract can be estimated reliably, profit is recognised in the Statement of comprehensive income on a stage of contract completion basis by reference to the costs incurred to date. Losses expected in bringing a contract to completion are recognised immediately in the Statement of comprehensive income as soon as they are forecast. Amounts recoverable on long term contracts, included within debtors, represent revenue, less progress payments received. Where progress payments exceed revenue, the excess is shown as amounts payable on long term contracts within current liabilities.

#### 1.3 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.

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:

Plant and machinery	- 17% reducing balance
Fixtures, fittings & equipment	- 16% reducing balance

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.

# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

### 1 Accounting policies

(Continued)

#### 1.4 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.

#### 1.5 Cash and cash equivalents

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.

#### 1.6 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 balance sheet 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.

##### **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.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **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.



# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

### 1 Accounting policies

(Continued)

#### ***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 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.

#### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### ***Derecognition of financial liabilities***

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

### 1.7 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.

### 1.8 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

### 1.9 Taxation

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

# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

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### 1 Accounting policies

(Continued)

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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.

#### **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.

#### **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 balance sheet 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.

# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

### 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.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Performance of long-term contracts

Recognised amounts on construction contract revenues and related receivables reflect the directors' best estimate of long-term contracts outcome and stage of completion. This includes the assessment of the profitability of the long-term contracts. Costs to complete and contract profitability are subject to significant estimation and uncertainty.

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022 £	2021 £
<b>Turnover analysed by class of business</b>		
Construction contracts(UK)	31,372,947	31,877,696

### 4 Employees

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

	2022 Number	2021 Number
Total	4	6

### 5 Taxation

	2022 £	2021 £
<b>Current tax</b>		
Adjustments in respect of prior periods	-	(40,131)
<b>Deferred tax</b>		
Origination and reversal of timing differences	105,423	(6,574)
Total tax charge/(credit)	105,423	(46,705)

# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

### 5 Taxation

(Continued)

The actual charge/(credit) 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:

	2022 £	2021 £
Profit before taxation	688,011	756,865
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	130,722	143,804
Tax effect of expenses that are not deductible in determining taxable profit	5,679	603
Tax effect of income not taxable in determining taxable profit	(4,667)	-
Adjustments in respect of prior years	-	(40,131)
Group relief	6,226	(46,481)
Permanent capital allowances in excess of depreciation	(139,256)	6,574
R&D tax relief	-	(104,500)
Loss surrendered	1,296	-
Deferred tax movement	105,423	(6,574)
Taxation charge/(credit) for the year	105,423	(46,705)

### 6 Tangible fixed assets

Plant and  
machinery etc

	£
<b>Cost</b>	
At 1 April 2021	306,036
Additions	662,618
Disposals	(80,829)
At 31 March 2022	887,825
<b>Depreciation and impairment</b>	
At 1 April 2021	116,546
Depreciation charged in the year	66,392
Eliminated in respect of disposals	(29,686)
At 31 March 2022	153,252
<b>Carrying amount</b>	
At 31 March 2022	734,573
At 31 March 2021	189,490

# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

### 7 Debtors

	2022	2021
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	2,069,533	7,100,398
Amounts owed by group undertakings	1,590,911	1,532,441
Other debtors	7,520,632	3,257,629
	<u>11,181,076</u>	<u>11,890,468</u>

### 8 Creditors: amounts falling due within one year

	2022	2021
	£	£
Bank loans	2,407,432	1,544,821
Obligations under finance leases	294,548	-
Trade creditors	4,806,572	5,470,069
Amounts owed to group undertakings	15,019	12,571
Taxation and social security	76,359	124,640
Accruals and deferred income	16,099	1,086,427
	<u>7,616,029</u>	<u>8,238,528</u>

### 9 Creditors: amounts falling due after more than one year

	Notes	2022	2021
		£	£
Bank loans and overdrafts		1,126,667	1,750,000
Obligations under finance leases		198,165	-
		<u>1,324,832</u>	<u>1,750,000</u>

### 10 Called up share capital

	2022	2021	2022	2021
	Number	Number	£	£
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

# MCRAIL CONSTRUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

### 11 Cash absorbed by operations

	2022 £	2021 £
Profit for the year after tax	582,588	803,570
<b>Adjustments for:</b>		
Taxation charged/(credited)	105,423	(46,705)
Finance costs	28,663	3,275
Gain on disposal of tangible fixed assets	(20,716)	-
Depreciation and impairment of tangible fixed assets	66,392	36,745
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	709,392	(5,450,926)
(Decrease)/increase in creditors	(1,779,658)	3,047,240
<b>Cash absorbed by operations</b>	<b>(307,916)</b>	<b>(1,606,801)</b>

### 12 Analysis of changes in net debt

	1 April 2021 £	Cash flows £	Other non-cash changes £	31 March 2022 £
Cash at bank and in hand	976,925	(323,347)	-	653,578
Borrowings excluding overdrafts	(3,294,821)	(239,278)	-	(3,534,099)
Obligations under finance leases	-	96,383	(589,096)	(492,713)
	<u>(2,317,896)</u>	<u>(466,242)</u>	<u>(589,096)</u>	<u>(3,373,234)</u>

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.