

Registered number: 10829369

BARHALE HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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BARHALE HOLDINGS PLC

COMPANY INFORMATION

Directors	D A Curran S J M Curran A N Flowerday L A Curran
Company secretary	A K Sheppard
Registered number	10829369
Registered office	Barhale House Bescott Crescent Walsall West Midlands WS1 4NN
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

BARHALE HOLDINGS PLC

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BARHALE HOLDINGS PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

Introduction

The principal activity of the Group is the provision of civil, tunneling, mechanical and electrical engineering and associated services.

Business review

The key financial highlights are as follows:

	2018	2017
	£000	£000
Turnover	185,592	121,770
Gross profit	11,977	12,204
Gross profit margin	6.5%	10.0%
Operating profit	3,557	2,420
Total assets	46,792	35,813
Net assets	11,782	9,428

The Group reported a profit before tax for the year of £3,100,000 (2017: £2,159,000).

Turnover improved markedly in the year as volumes from water frameworks and major projects continued to grow. The forward order book remains strong with £141m of 2018/19 turnover secured.

Gross margin % was lower than in the previous year, as turnover increased on lower margin contracts and provisions have been taken against contracts with uncertain outcomes.

Having strengthened our work winning capability in previous years in line with the group's growth strategy, overheads decreased marginally despite the increase in turnover.

The Group continues to closely manage working capital and cash balances which improved in the year by £1,740,000 to a closing balance of £7,308,000 at 30 June 2018.

The group acknowledges the input of:

- Our employees
- Our clients and customers
- Our supply chain
- Our finance providers
- Our JV partners

BARHALE HOLDINGS PLC

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

Business review (continued)

2018 represented a year of satisfactory progress in line with the group's growth strategy.

We continued to deliver projects under our AMP6 framework contracts for our clients Anglian, Severn Trent, Southern and Yorkshire Water. We have performed very successfully working within the Anglian Water @One and IOS Alliances and are well positioned to play a major part in AMP7 and beyond.

The Southern region enjoyed good growth in a buoyant market with major infrastructure projects undertaken for Thames Water, Thames Tideway and Affinity Water. Major property developments and infrastructure projects in the London area, continue to provide opportunities to grow this region further.

We continued to deliver three major projects for Severn Trent in the year being, Elan Valley Aqueduct (EVA), Newark and Birmingham Resilience. These technically challenging projects are progressing well, and as they near completion and risks diminish we expect these contract margins to improve.

In line with our growth strategy, turnover for the power sector increased with work undertaken for Scottish Power Energy Networks, Western Power Distribution and National Grid.

Major transportation projects such as the Midland Metro and HS2 were undertaken in the year and given the scale of these projects we will look to grow this sector further as we progress with our strategy.

AMP7 procurement has now commenced with a number of our clients and with early contractor involvement in these programmes ahead of the 2020, start date we would hope for a more efficient transition into the new regulatory period.

Given the strength of the UK construction market, sourcing, training and retaining a highly skilled workforce remains one of our greatest challenges and will be the key to surpassing this year's solid performance.

Principal risks and uncertainties

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

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

- Attracting and retaining staff
- Major defect claims
- Successful delivery of major projects
- Satisfactory settlement of claims

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

Barhale Limited is currently engaged in an adjudication for the allegedly defective design of a liner system used in the rehabilitation of a pipeline network (as set out in note 3). In the event that the company is found to be responsible for defective design, then the company will seek recovery from their appointed designers. Should the company be unsuccessful in subrogating this claim and the company's insurance cover prove inadequate, then this may present a risk to the business. Liability and quantum are yet to be determined, however the board do not consider that this presents a significant risk to the business.

BARHALE HOLDINGS PLC

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

Performance measurement

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

The financial key performance indicators are:

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

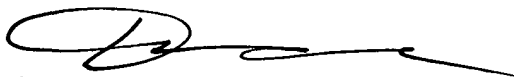
The Group wherever possible seeks to align its objectives with those of our client and in turn to those of our staff. The board are very satisfied with the financial performance and the progress made within the growth strategy.

The non-financial key performance indicators are:-

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

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

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



D A Curran

Director

Date: 24 October 2018

BARHALE HOLDINGS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and the financial statements for the period ended 30 June 2018. The company was incorporated on 21 June 2017.

On 4 September 2017, the Board approved the proposed acquisition by the company of the entire issued share capital of the company's subsidiaries (see note 14) in accordance with the terms of the share purchase agreement, by way of a share for share exchange.

Results and dividends

The profit for the year, after taxation, amounted to £2,354,000 (2017: £1,737,000).

There were no dividends paid during the year (2017: £Nil).

Directors

The directors who served during the period were:

D A Curran (appointed 21 June 2017)
S J M Curran (appointed 21 June 2017)
A N Flowerday (appointed 21 June 2017)
L A Curran (appointed 22 February 2018)
P N Curran (appointed 21 June 2017, resigned 28 September 2018)
M J Behan (appointed 21 June 2017, resigned 31 December 2017)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Environmental matters

The Group continues to show commitment to the environment in which it works in the year. Recycling waste from its sites now exceeds 95% of waste generated and we had another period with zero environmental incidents.

The Group participates in the Considerate Contractors Scheme, which promotes and measures the consideration given to people and the environment in which it operates.

During the year, the Group delivered environmental training to its employees.

Financial instruments

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

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

Liquidity risk

The Group manages liquidity through actively monitoring its cash flow requirements to ensure it stays within its agreed facilities.

Credit risk

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

Disabled employees

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Qualifying third party indemnity provisions

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

Matters covered in the strategic report

The Strategic Report includes the directors assessment of the likely future developments of the business.

Post balance sheet events

On 3 October 2018, Barhale Properties Limited completed the purchase of a property for investment purposes.

BARHALE HOLDINGS PLC

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

Disclosure of information to auditor

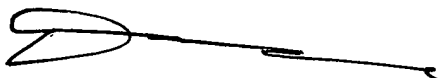
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

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

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



D A Curran
Director

Date: 24 October 2018



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARHALE HOLDINGS PLC

Opinion

We have audited the financial statements of Barhale Holdings Plc (the 'parent Company') and its subsidiaries (the 'Group') for the period ended 30 June 2018, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2018 and of the Group's profit for the period 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARHALE HOLDINGS PLC (CONTINUED)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARHALE HOLDINGS PLC (CONTINUED)

Responsibilities of directors for the financial statements

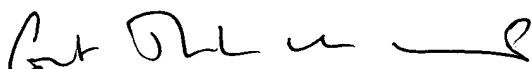
As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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



David P White
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor Chartered Accountants
Birmingham
Date: 24/10/18

BARHALE HOLDINGS PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2018**

	Note	2018 £000	2017 £000
Turnover	4	185,592	121,770
Cost of sales		(173,615)	(109,566)
Gross profit		11,977	12,204
Administrative expenses		(8,420)	(9,784)
Operating profit	5	3,557	2,420
Share of loss in joint venture	14	(388)	(41)
Interest receivable and similar income	9	-	1
Interest payable and expenses	10	(69)	(221)
Profit before taxation		3,100	2,159
Tax on profit	11	(746)	(422)
Profit and total comprehensive income for the financial year		2,354	1,737
Profit and total comprehensive income for the financial year attributable to:			
Owners of the parent Company		2,354	1,737

All activities of the company are classified as continuing.

The notes on pages 18 to 43 form part of these financial statements.

BARHALE HOLDINGS PLC
REGISTERED NUMBER:10829369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

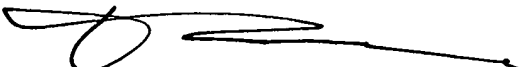
	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	12	342	380
Tangible assets	13	10,300	9,006
Investments	14	285	673
		<u>10,927</u>	<u>10,059</u>
Current assets			
Stocks	15	1,720	1,855
Debtors: amounts falling due after more than one year	16	1,382	1,444
Debtors: amounts falling due within one year	16	25,456	16,887
Cash at bank and in hand	17	7,308	5,568
		<u>35,866</u>	<u>25,754</u>
Creditors: amounts falling due within one year	18	(33,028)	(24,342)
Net current assets		<u>2,838</u>	<u>1,412</u>
Total assets less current liabilities		<u>13,765</u>	<u>11,471</u>
Creditors: amounts falling due after more than one year	19	(1,864)	(1,926)
Provisions for liabilities			
Deferred taxation	22	(119)	(117)
		<u>(119)</u>	<u>(117)</u>
Net assets		<u><u>11,782</u></u>	<u><u>9,428</u></u>

BARHALE HOLDINGS PLC
REGISTERED NUMBER:10829369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital	23	475	-
Revaluation reserve	24	685	685
Capital redemption reserve	24	25	25
Merger reserve	24	-	475
Profit and loss account	24	10,597	8,243
		<u>11,782</u>	<u>9,428</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
24 October 2018.


D A Curran
Director

The notes on pages 18 to 43 form part of these financial statements.

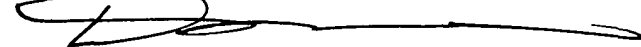
BARHALE HOLDINGS PLC
REGISTERED NUMBER:10829369

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 £000
Fixed assets		
Investments	14	475
Net assets		<u>475</u>
Capital and reserves		
Called up share capital	23	475
		<u>475</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in the financial statements. The profit after tax of the parent company for the year is £Nil.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 October 2018.



D A Curran
Director

The notes on pages 18 to 43 form part of these financial statements.

BARHALE HOLDINGS PLC

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

	Called up share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1 July 2017	-	25	685	475	8,243	9,428
Profit for the year	-	-	-	-	2,354	2,354
Total comprehensive income for the year	-	-	-	-	2,354	2,354
Shares issued during the year	475	-	-	(475)	-	-
Total transactions with owners	475	-	-	(475)	-	-
At 30 June 2018	475	25	685	-	10,597	11,782

The notes on pages 18 to 43 form part of these financial statements.

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

	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1 July 2016	25	685	475	6,506	7,691
Profit for the year	-	-	-	1,737	1,737
Total comprehensive income for the year	-	-	-	1,737	1,737
At 30 June 2017	25	685	475	8,243	9,428

The notes on pages 18 to 43 form part of these financial statements.

BARHALE HOLDINGS PLC

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

	Called up share capital £000	Total equity £000
At 30 June 2017	-	-
Shares issued during the year	475	475
Total transactions with owners	475	475
At 30 June 2018	475	475

The notes on pages 18 to 43 form part of these financial statements.

BARHALE HOLDINGS PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	£000	£000
Cash flows from operating activities		
Profit for the financial year	2,354	1,737
Adjustments for:		
Amounts due from related parties written off	-	1,300
Amortisation of intangible assets	38	-
Depreciation of tangible assets	1,357	1,030
Impairment of goodwill	660	-
(Gain)/loss disposal of tangible fixed assets	(423)	148
Interest payable	69	221
Interest receivable	-	(1)
Taxation charge	746	422
Decrease in stocks	136	35
(Increase)/decrease in debtors	(8,433)	772
Increase/(decrease) in creditors	6,727	(1,034)
Share of loss in joint venture	388	41
Corporation tax (paid)	(512)	(99)
Net cash generated from operating activities	3,107	4,572
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,351)	(882)
Purchase of intangible fixed assets	-	(380)
Sale of tangible fixed assets	1,625	72
Consideration received/(paid) net of cash acquired from acquisition of a subsidiary	26	(7)
Hire purchase interest paid	(69)	(101)
Interest received	-	1
Net cash used in investing activities	(1,769)	(1,297)

BARHALE HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	£000	£000
Cash flows from financing activities		
Availment/(repayment) of new finance leases	402	(1,079)
Interest paid	-	(120)
Repayment of other loans	-	(4)
Net cash generated from (used in) financing activities	402	(1,203)
Net increase in cash and cash equivalents	1,740	2,072
Cash and cash equivalents at beginning of year	5,568	3,496
Cash and cash equivalents at the end of year	7,308	5,568
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,308	5,568

The notes on pages 18 to 43 form part of these financial statements.

BARHALE HOLDINGS PLC

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

1. General information

Barhale Holdings Plc is a public company limited by shares and incorporated in England and Wales. Its registered head office is located at Barhale House, Bescott Crescent, Walsall, West Midlands, WS1 4NN.

The financial statements are presented in Sterling (£) and are rounded to the nearest thousand.

The principal activity of the Group are the provision of civil engineering, tunnelling, mechanical and electrical engineering and associated services.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Following an internal group restructure, the directors are required to prepare consolidated financial statements for the first time for the period ended 30 June 2018.

Each of the acquisitions of subsidiary undertakings by Barhale Holdings Plc qualify as group reconstructions as defined in applicable law and accounting standards as the ultimate controlling shareholders remain unchanged and have therefore been accounted for under the merger accounting method. As required by that method, these financial statements present the results of the consolidated Group as if it had been in existence through both the current and previous years.

The consolidated financial statements incorporate the results of business combinations since the acquisition of Barhale Limited using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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

2. Accounting policies (continued)

2.3 Going concern

The directors have prepared monthly cash flow forecasts to 31 October 2019. The forecasts assume that no material payment will be made regarding outstanding claims (as set out in note 3). This is on the basis that the directors best estimate of the likely outcome is as set out and in any event if the group were required to make any payment, this is not likely to be in the next twelve months given the legal process involved. The forecasts show that, based on its considerable framework order book and working capital management, the group does not use any overdraft facility.

Accordingly the directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include any adjustments that may be required if this were not the case.

2.4 Revenue

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

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

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

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

2.5 Operating leases

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

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

2.6 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

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

2. Accounting policies (continued)

2.7 Finance costs

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

2.8 Pensions

The pension costs charged in the financial statements represent the contributions payable to personal pension plans during the year.

2.9 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

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

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

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

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

2. Accounting policies (continued)

2.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.11 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- over period of lease
Plant and machinery	- 15% - 33.33% reducing balance
Motor vehicles	- 10% - 25% straight line
Fixtures, fittings and equipment	- 33.33% straight line
Plant and machinery for hire	- 15% - 33.33% reducing balance
Computer equipment	- 33.33% straight line

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

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

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

2. Accounting policies (continued)

2.12 Freehold properties

Freehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

Depreciation is charged on a straight line basis over 50 years.

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

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGUs) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the venturer's share of the profit or loss, other comprehensive income and equity of the jointly controlled entity. The Consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group.

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

2. Accounting policies (continued)

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

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

2.17 Debtors

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

2.18 Cash and cash equivalents

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

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.19 Creditors

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

2.20 Provisions for liabilities

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

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

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

2.21 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash

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

2. Accounting policies (continued)

2.21 Financial instruments (continued)

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

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

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

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

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

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

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

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

Construction and service contracts

When the outcome of individual contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion at the reporting date.

The revenue recognition and margin recognition policies are central to how the group values the work it has carried out in each financial year. These policies require forecasts to be made of the outcomes of long term construction services and support services contracts, which require assessments and judgmental to be made on recovery of costs, changes in scope of work, contract programmes, maintenance and defects liabilities and changes in costs.

Revenue in respect of variations to contracts is recognised when it is probable it will be agreed by the client. Revenue in respect of claims is recognised based on the group's internal surveyors' estimate of probable outcome. This is subject to inherent uncertainties and is based on judgmental that a claim will be successful and an estimate of the likely settlement value.

Costs are recognised as incurred and revenue is recognised on the basis of the value of work done at the reporting date. Provision is made for all known or expected losses on individual contracts once losses are foreseen.

Claims

The group in the normal course of its activities, is subject to claims under contracts and other agreements.

Barhale Limited has received a claim from a customer regarding defective design for a project undertaken and an arbitration process has now commenced. The customer is carrying out remedial works which are estimated to lead to a claim of up to £25m. The design of these works was carried out by sub-consultants to Barhale and the company has in turn issued proceedings against the sub-consultants. Whilst the company was contracted by the customer and is therefore the principal, the directors do not consider that the company is ultimately responsible for the defects in the work undertaken but that this was due to defective design. Furthermore, the directors believe that any claim will be reduced for betterment and repricing and the company's insurance policies will also provide cover to the policy cap. The directors best estimate of the likely outcome of this claim has been reflected in the financial statements.

Debtors

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

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

3. Judgements in applying accounting policies (continued)

Joint ventures

In order to ascertain the appropriate accounting treatment for its joint ventures, the directors have to make an assessment of the characteristics of each of their joint ventures and decide whether they meet the criteria for a jointly controlled entity, a jointly controlled operation or jointly controlled assets. When making this assessment, the directors take into account a number of factors including whether there is a separate legal or otherwise independent entity; whether the joint venture is capable of incurring expenses or entering into contracts on its own behalf, and whether if in practice it does so; what assets within the joint venture are used to generate income and is that income generated within the joint venture or on its behalf by the joint ventures.

For Barhale Trant Utilities LLP, the existence of a separate legal entity and the contracts entered into by that entity, suggest this is a jointly controlled entity and is equity accounted. For BNM Alliance, there is no separate legal entity and the directors consider that the joint venture is more of an arrangement to share the resulting outcome of the joint venture agreement and as such has been accounted for as a jointly controlled operation.

4. Turnover

The whole of the turnover is attributable to the provision of civil, mechanical and electrical engineering and associated services. Management reporting is not separated into the different types of services provided and therefore management do not consider there to be more than one reportable segment.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging (crediting):

	2018	2017
	£000	£000
Depreciation of tangible fixed assets - owned	886	829
Depreciation of tangible fixed assets - held under finance lease	471	201
Impairment of goodwill	660	-
Amortisation of intangible assets	38	-
Other operating lease rentals - other operating leases	442	174
Gains on disposal of tangible fixed assets	(423)	(148)

BARHALE HOLDINGS PLC

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

6. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	68	45
	68	45
Tax compliance services	17	9
Tax advisory services (research and development)	10	7
Tax advisory services (restructuring report)	15	6
Employment tax services	3	-
	45	22

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £000	Group 2017 £000	Company 2018 £000
Wages and salaries	40,779	29,958	-
Social security costs	4,346	3,218	-
Pension costs	1,874	991	-
	46,999	34,167	-

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

	2018 No.	2017 No.
Administrative staff	504	429
Site staff	340	281
	844	710

BARHALE HOLDINGS PLC

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

8. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	627	442
Directors pension costs	23	23
	650	465

During the year retirement benefits were accruing to 2 directors (2017: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £265,000 (2017: £232,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,000 (2017 - £NIL).

9. Interest receivable

	2018 £000	2017 £000
Other interest receivable	-	1

10. Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	-	120
Finance leases and hire purchase contracts	69	101
	69	221

BARHALE HOLDINGS PLC

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

11. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	746	407
Adjustments in respect of previous periods	(1)	-
Total current tax	745	407
Deferred tax		
Origination and reversal of timing differences	38	25
Short-term timing differences	(9)	-
Losses and other deductions	(28)	-
Effect of tax rate change on opening balance	-	(10)
Total deferred tax	1	15
Taxation on profit on ordinary activities	746	422

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	3,100	2,159
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	589	426
Effects of:		
Expenses not deductible for tax purposes	705	15
Fixed asset differences	(107)	23
Effect of tax rate change on deferred tax	(33)	(15)
Non taxable income	(162)	(27)
Other tax adjustments, reliefs and transfers	18	-
Capital gains	15	-
Deferred tax not recognised	(279)	-
Total tax charge for the year	746	422

BARHALE HOLDINGS PLC

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

11. Taxation (continued)**Factors that may affect future tax charges**

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

12. Intangible assets**Group**

	Software £000	Goodwill £000	Total £000
Cost			
At 1 July 2017	380	-	380
On acquisition of subsidiary	-	660	660
At 30 June 2018	380	660	1,040
Amortisation			
At 1 July 2017	-	-	-
Charge for the year	38	-	38
Impairment charge	-	660	660
At 30 June 2018	38	660	698
Net book value			
At 30 June 2018	342	-	342

BARHALE HOLDINGS PLC

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

13. Tangible fixed assets

Group

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Plant and machinery for hire £000
Cost or valuation						
At 1 July 2017	2,750	839	1,025	2,301	202	8,467
Additions	-	24	295	1,422	-	1,430
On acquisition of subsidiary	409	23	-	-	68	-
Disposals	(909)	-	(60)	(1,061)	-	(341)
At 30 June 2018	2,250	886	1,260	2,662	270	9,556
Depreciation						
At 1 July 2017	248	645	202	1,547	187	3,851
Charge for the year	50	78	(22)	436	65	676
Disposals	(51)	-	30	(1,023)	-	(128)
At 30 June 2018	247	723	210	960	252	4,399
Net book value						
At 30 June 2018	2,003	163	1,050	1,702	18	5,157
At 30 June 2017	2,502	194	822	754	15	4,616

BARHALE HOLDINGS PLC

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

13. Tangible fixed assets (continued)

	Computer equipment £000	Total £000
Cost or valuation		
At 1 July 2017	228	15,812
Additions	180	3,351
On acquisition of subsidiary	-	500
Disposals	(3)	(2,374)
At 30 June 2018	<u>405</u>	<u>17,289</u>
Depreciation		
At 1 July 2017	125	6,805
Charge for the year	74	1,357
Disposals	(1)	(1,173)
At 30 June 2018	<u>198</u>	<u>6,989</u>
Net book value		
At 30 June 2018	<u>207</u>	<u>10,300</u>
At 30 June 2017	<u>103</u>	<u>9,006</u>

BARHALE HOLDINGS PLC

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

13. Tangible fixed assets (continued)

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

	2018 £000	2017 £000
Plant and machinery	2,952	3,245
Motor vehicles	1,597	354
	<u>4,549</u>	<u>3,599</u>

14. Fixed asset investments

Group

	Investments in joint ventures £000
Cost	
At 1 July 2017	673
Share of loss for the period	(388)
At 30 June 2018	<u>285</u>
Net book value	
At 30 June 2018	<u>285</u>
At 30 June 2017	<u>673</u>

BARHALE HOLDINGS PLC

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

14. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Barhale Limited	Ordinary	100 %	Civil engineering
Barhale Properties Limited	Ordinary	100 %	Rental of properties
Barhale Construction Services Limited	Ordinary	100 %	Rental of equipment
Barhale Response Limited	Ordinary	100 %	Civil engineering
Barhale Overseas Limited	Ordinary	100 %	Dormant
Barhale Rail Limited	Ordinary	100 %	Dormant
Barhale Resource Solutions Limited	Ordinary	100 %	Dormant
Barhale Telecoms Limited	Ordinary	100 %	Dormant
Comtake Engineering Limited	Ordinary	100 %	Dormant
Microline Tunnelling Limited	Ordinary	100 %	Dormant
Tunneline Limited	Ordinary	100 %	Dormant

Participating interests**Joint ventures**

The following were joint ventures of the Group:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Barhale Trant Utilities LLP	Jointly controlled entity	Ordinary	50%	Construction
BNM Alliance	Jointly controlled operation	None	50%	Construction

BARHALE HOLDINGS PLC

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

14. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000
Cost	
Additions	475
At 30 June 2018	475
Net book value	
At 30 June 2018	475
At 30 June 2017	-

15. Stocks

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000
Raw materials and consumables	1,720	<i>1,855</i>	-

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

An impairment loss of £123,876 (2017: £Nil) was recognised in cost of sales against stocks during the year due to slow moving and obsolete stock.

Stock recognised in cost of sales during the year as an expense was £29,002,000 (2017: £10,234,000).

BARHALE HOLDINGS PLC

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

16. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000
Due after more than one year			
Trade debtors	530	530	-
Amounts recoverable on long-term contracts	852	914	-
	1,382	1,444	-
	Group 2018 £000	Group 2017 £000	Company 2018 £000
Due within one year			
Trade debtors	7,908	11,154	-
Amounts owed by joint ventures	869	740	-
Other debtors	393	1,115	-
Prepayments and accrued income	1,073	979	-
Amounts recoverable on long term contracts	15,011	2,899	-
Amounts owed by related parties	202	-	-
	25,456	16,887	-

An impairment loss of £3,936,000 (2017: £Nil) was recognised in respect of trade debtors and amounts recoverable on long term contracts.

The amounts owed by joint ventures and related parties are interest free, unsecured and have no fixed repayment terms.

17. Cash and cash equivalents

	Group 2018 £000	Group 2017 £000	Company 2018 £000
Cash at bank and in hand	7,308	5,568	-

BARHALE HOLDINGS PLC

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

18. Creditors: Amounts falling due within one year

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000
Trade creditors	8,948	5,627	-
Amounts owed to related parties	259	-	-
Corporation tax	544	308	-
Other taxation and social security	3,371	3,001	-
Obligations under finance lease and hire purchase contracts	941	479	-
Other loans	418	323	-
Other creditors	461	956	-
Accruals and deferred income	18,086	13,648	-
	<u>33,028</u>	<u>24,342</u>	<u>-</u>

Included in other creditors is £22,000 (2017: £41,000) relating to directors loans.

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

The other loans are interest free, unsecured and have no fixed repayment terms.

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

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000
Net obligations under finance leases and hire purchase contracts	1,864	1,926	-

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

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £000	<i>Group 2017 £000</i>
Within one year	941	479
Between 2-5 years	1,864	1,926
	<u>2,805</u>	<u>2,405</u>

BARHALE HOLDINGS PLC

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

21. Financial instruments

	Group 2018 £000	<i>Group 2017 £000</i>
Financial assets		
Cash and cash equivalents	7,308	5,568
Financial assets that are debt instruments measured at amortised cost	25,765	17,352
	33,073	22,920
Financial liabilities		
Financial liabilities measured at amortised cost	(29,113)	(22,959)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

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

Financial liabilities measured at amortised cost comprise other loans, trade and other creditors, obligations under finance lease and hire purchase contracts and accruals.

22. Deferred taxation**Group**

	2018 £000	<i>2017 £000</i>
At beginning of year	(118)	(103)
Charged to profit or loss	(1)	(14)
At end of year	(119)	(117)

BARHALE HOLDINGS PLC

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

22. Deferred taxation (continued)

	Group 2018 £000	Group 2017 £000
Fixed asset timing differences	(199)	(158)
Other timing differences	32	22
Pension surplus	48	-
Losses and other deductions	-	18
	<u>(119)</u>	<u>(118)</u>

23. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid 475,000 Ordinary shares of £1 each	<u>475</u>	<u>-</u>

24. Reserves

Revaluation reserve

The revaluation reserve contains all movements in the valuation of freehold property.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Merger reserve

A merger reserve was created as a result of group restructuring during the year.

Profit and loss account

The profit and loss account contains current and prior periods retained profits and loss.

25. Business combinations

BARHALE HOLDINGS PLC

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

25. Business combinations (continued)

On 13 July 2017, Barhale Limited entered into a settlement agreement with Noel Hanley to transfer all of the latter's shares to Dennis Curran. Subsequently, on 4 September 2017, Barhale Limited acquired the remaining shares in Barhale Response Limited from Dennis Curran.

Goodwill has been calculated as the excess of consideration after deducting the net liabilities acquired. Given the financial position and performance of Barhale Response Limited management fully impair the goodwill at the date of acquisition.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value £000
Tangible fixed assets	500	500
	<hr/> 500	<hr/> 500
Debtors	83	83
Cash at bank and in hand	26	26
	<hr/> 609	<hr/> 609
Total assets	609	609
Creditors: due within one year	1,269	1,269
	<hr/> 1,269	<hr/> 1,269
Total identifiable net liabilities	(660)	(660)
	<hr/>	<hr/>
Goodwill		660
		<hr/>
Total purchase consideration		-
		<hr/>

Cash inflow on acquisition

	£000
Cash and cash equivalents acquired	26
	<hr/>
Net cash inflow on acquisition	26
	<hr/>

BARHALE HOLDINGS PLC

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

25. Business combinations (continued)

The results of Barhale Response Limited since its acquisition are as follows:

	Current period since acquisition £000
Turnover	1,807
Loss for the year	(1,300)

26. Capital commitments

At 30 June 2018 the Group and Company had no capital commitments (2017: £Nil)

27. Pension commitments

The Group contributes into the personal pension plans of a number of employees. This scheme is a defined contribution money purchase scheme and the assets are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions paid by the Group to the fund and this amounted to £1,874,000 (2017: £991,000). Contributions totalling £187,000 (2017: £133,000) were payable to the fund at year end.

BARHALE HOLDINGS PLC

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

28. Commitments under operating leases

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

	Group 2018 £000	<i>Group 2017 £000</i>
Property		
Not later than 1 year	250	260
Later than 1 year and not later than 5 years	690	745
Later than 5 years	749	879
	<hr/> 1,689 <hr/>	<hr/> 1,884 <hr/>
	Group 2018 £000	<i>Group 2017 £000</i>
Motor vehicle		
Not later than 1 year	721	622
Later than 1 year and not later than 5 years	1,218	1,215
	<hr/> 1,939 <hr/>	<hr/> 1,837 <hr/>

BARHALE HOLDINGS PLC

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

29. Related party transactions

During the year, the Group was charged rentals amounting to £130,000 (2017: £130,000) from Barhale Construction Plc Pension Scheme, of which DA Curran is a trustee. At the reporting date, the Group owed £78,000 (2017: £Nil) to Barhale Construction Plc Pension Scheme.

During the year, the Group made purchases amounting to £5,259,000 (2017: £4,860,000) from Kilkern Limited, a connected Company with common directors, for supply of site operatives. At the reporting date, the Group owed £181,000 (2017: £504,000) to Kilkern Limited.

During the year, the group provides contracting services to North Midlands Construction Plc, a connected company through joint venture amounting to £96,000 (2017: £Nil) for supply of site operatives. At the reporting date, the group is owed by £32,000 (2017: £Nil) from North Midlands Construction Plc.

During the year, the group provides contracting services to Optimise Water LLP, a connected joint venture to supply site operatives for Thames Water Utilities Limited amounting to £1,669,000 (2017: £434,000). At the reporting date, the group is owed by £166,000 (2017: £124,000) from Optimise Water LLP.

During the year, the group charged rentals amounting to £12,000 (2017: £3,000) to Kilkern Limited, a connected company with common directors. At the reporting date, the group is owed £4,000 (2017: £4,000) from Kilkern Limited.

During the year the value of services to the Group provided to its joint arrangements and amounts owed by the arrangements were as follows:

	Turnover 2018 £000	Turnover 2017 £000	Debtors 2018 £000	Debtors 2017 £000
Barhale Trant Utilities LLP	-	-	869	740

Amounts owed by director

Included within other debtors is an amount owed by D A Curran, a director, of £5,000 (2017: £Nil).

Amounts owed to directors

Included within other creditors are amounts owed to directors, as follows:

D A Curran £Nil (2017: £18,000)

A N Flowerday £22,000 (2017: £23,000)

Key management personnel

The total amount payable to key management personnel during the year was £1,642,000 (2017: £1,209,000)

30. Controlling party

The ultimate controlling party is D A Curran.