

Company Registration No. SC522946 (Scotland)

ACRE HOLDINGS 2016 LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019



ACRE HOLDINGS 2016 LIMITED

COMPANY INFORMATION

Director	Mr J Price
Secretary	Mrs L Price
Company number	SC522946
Registered office	Fulwood Mains House Moss Road Linwood HOUSTON PA6 7BJ
Auditor	Johnston Carmichael LLP 227 West George Street GLASGOW G2 2ND

ACRE HOLDINGS 2016 LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Director's report	3 - 4
Independent auditor's report	5 - 7
Profit and loss account	8
Group balance sheet	9
Company balance sheet	10
Group statement of changes in equity	11
Company statement of changes in equity	12
Group statement of cash flows	13
Notes to the financial statements	14 - 27

ACRE HOLDINGS 2016 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The director presents the strategic report for the year ended 30 June 2019.

Fair review of the business

Despite the various challenges and uncertainties affecting the UK economy the Board is delighted to note the continued growth in sales and gross profitability.

During the year the Board took the decision to separate the property services business from the Industrial Services business and the Board intend to continue to develop both companies in the coming years.

The company also purchased a farm with the intention of developing a specialist Eco Services business which the Board expects will further enhance both sales and profits in the coming years by driving both efficiency improvements and diversification of service offerings.

Principal risks and uncertainties

The company considers the principal risks facing the business to include the dynamic competitive and regulatory environment as well as cost pressures experienced by certain customers.

These risks and uncertainties are monitored proactively by both the Board and Senior Management Team with the company taking appropriate actions as necessary.

The company continues to monitor the impact of the ongoing uncertainties surrounding Brexit and is confident that measures taken over the last 15 months are sufficient to counter any impact which the business may experience.

Development and performance

The company continued to expand and enhance its service offerings during the year and this continuing focus on targeted growth with key accounts ensured that the business was able to grow in a sustainable and profitable manner throughout the year.

As a result of the prudent and responsible way in which the company is run it has been able to fund its ongoing investment and expansion plans from its own resources, whilst continuing to generate significant free cash flows.

Having won several, new long term contracts over the last few months the Company continues to be well placed to both weather any uncertainties arising in the wider economy and also to exploit new opportunities as they arise.

ACRE HOLDINGS 2016 LIMITED

STRATEGIC REPORT (CONTINUED)


FOR THE YEAR ENDED 30 JUNE 2019

Key performance indicators

The company operates a wide range of financial and non financial key performance indicators to monitor and direct the performance of the business. The include asset utilisation, labour efficiency and health and safety performance. The company retained ISO 9001:2015 certification throughout the period.

	2019	2018
	£	£
Turnover	6,990,517	6,288,543
Operating profit	1,088,566	1,654,185
Net assets	5,977,034	5,389,670

On behalf of the board


Mr J Price
Director
12/11/19

ACRE HOLDINGS 2016 LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The director presents his annual report and financial statements for the year ended 30 June 2019.

Principal activities

The principal activity of the company is that of a holding company. The principal activity of the subsidiary is that of industrial cleaning services. On 5 April 2019, following a group reorganisation, Acre Holdings 2016 Limited, being the ultimate parent company, gained significant control of Acre Industrial & Cleaning Services Limited.

Director

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

Mr J Price

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £120,000.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the director is 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 group and company will continue in business.

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

ACRE HOLDINGS 2016 LIMITED

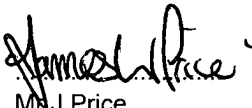
DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board



MJ Price

Director

Date: 12/11/19

ACRE HOLDINGS 2016 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACRE HOLDINGS 2016 LIMITED

Opinion

We have audited the financial statements of Acre Holdings 2016 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2019 which comprise the group profit and loss account, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2019 and of the group's 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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.

Other information

The director is 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.

ACRE HOLDINGS 2016 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ACRE HOLDINGS 2016 LIMITED

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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Director's 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 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.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director is 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 director either intends 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.

ACRE HOLDINGS 2016 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ACRE HOLDINGS 2016 LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Hugh Boyle (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

15 Nov 19

Chartered Accountants
Statutory Auditor

227 West George Street
GLASGOW
G2 2ND

ACRE HOLDINGS 2016 LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	2018 £
Turnover	3	6,990,517	6,288,543
Cost of sales		(4,488,427)	(3,811,650)
Gross profit		2,502,090	2,476,893
Distribution costs		(48,630)	(51,995)
Administrative expenses		(842,744)	(821,867)
Other operating income		37,850	51,154
Gain on sale of investment property	4	700,000	-
Impairment of investment	4	(1,260,000)	-
Operating profit	5	1,088,566	1,654,185
Interest receivable and similar income	8	-	7,008
Profit before taxation		1,088,566	1,661,193
Tax on profit	9	(381,202)	(308,126)
Profit for the financial year	21	707,364	1,353,067

Profit for the financial year is all attributable to the owners of the parent company.


ACRE HOLDINGS 2016 LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	10	1,207,826		1,332,898	
Investment properties	11	761,676		577,463	
		<u>1,969,502</u>		<u>1,910,361</u>	
Current assets					
Stocks	15	6,035		6,035	
Debtors	16	1,398,814		1,392,820	
Cash at bank and in hand		3,882,035		3,391,319	
		<u>5,286,884</u>		<u>4,790,174</u>	
Creditors: amounts falling due within one year	17	(1,132,661)		(1,174,159)	
Net current assets		<u>4,154,223</u>		<u>3,616,015</u>	
Total assets less current liabilities		<u>6,123,725</u>		<u>5,526,376</u>	
Provisions for liabilities	18	(146,691)		(136,706)	
Net assets		<u>5,977,034</u>		<u>5,389,670</u>	
Capital and reserves					
Called up share capital	20	20,002		20,002	
Profit and loss reserves	21	5,957,032		5,369,668	
Total equity		<u>5,977,034</u>		<u>5,389,670</u>	

The financial statements were approved by the board of directors and authorised for issue on 12/11/19 and are signed on its behalf by:


Mr J Price
Director

ACRE HOLDINGS 2016 LIMITED

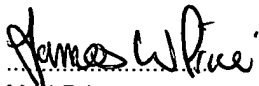
COMPANY BALANCE SHEET

AS AT 30 JUNE 2019

		2019		2018	
		£	£	£	£
Fixed assets					
Investments	12	10,740,000		-	
Current assets					
Debtors	16	2		2	
Net current assets			2		2
Total assets less current liabilities		10,740,002		2	
Capital and reserves					
Called up share capital	20	10,740,002		2	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £nil (2018- £nil).

The financial statements were approved by the board of directors and authorised for issue on 12/11/19 and are signed on its behalf by:



Mr J Price
Director

Company Registration No. SC522946

ACRE HOLDINGS 2016 LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 July 2017	20,002	4,226,601	4,246,603
Year ended 30 June 2018:			
Profit and total comprehensive income for the year	-	1,353,067	1,353,067
Dividends	-	(210,000)	(210,000)
Balance at 30 June 2018	20,002	5,369,668	5,389,670
Year ended 30 June 2019:			
Profit and total comprehensive income for the year	-	707,364	707,364
Dividends	-	(120,000)	(120,000)
Balance at 30 June 2019	20,002	5,957,032	5,977,034

ACRE HOLDINGS 2016 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share capital £
Balance at 1 July 2017		2
		<hr/>
Year ended 30 June 2018:		
Profit and total comprehensive income for the year		-
		<hr/>
Balance at 30 June 2018		2
		<hr/>
Year ended 30 June 2019:		
Profit and total comprehensive income for the year		-
Issue of share capital	20	10,740,000
		<hr/>
Balance at 30 June 2019		10,740,002
		<hr/> <hr/>

ACRE HOLDINGS 2016 LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	25	1,941,373		2,022,372	
Income taxes paid		(314,606)		(232,036)	
Net cash inflow from operating activities		<u>1,626,767</u>		<u>1,790,336</u>	
Investing activities					
Purchase of tangible fixed assets		(271,838)		(505,880)	
Purchase of investment property		(744,213)		-	
Interest received		-		7,008	
Net cash used in investing activities		<u>(1,016,051)</u>		<u>(498,872)</u>	
Financing activities					
Dividends paid to equity shareholders		(120,000)		(210,000)	
Net cash used in financing activities		<u>(120,000)</u>		<u>(210,000)</u>	
Net increase in cash and cash equivalents		<u>490,716</u>		<u>1,081,464</u>	
Cash and cash equivalents at beginning of year		3,391,319		2,309,855	
Cash and cash equivalents at end of year		<u><u>3,882,035</u></u>		<u><u>3,391,319</u></u>	

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Company information

Acre Holdings 2016 Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Fulwood Estates, Linwood Moss Road, Houston by Johnstone, Renfrewshire, PA6 7BJ.

The group consists of Acre Holdings 2016 Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, 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.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Acre Holdings 2016 Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 June 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

On 5 April 2019, the group carried out a restructuring which included the introduction of a new parent holding company, Acre Holdings 2016 Limited, which acquired the entire share capital of Acre Industrial & Cleaning Services Limited by way of a share for share exchange. Given the consideration was wholly a share for share exchange and the rights of each shareholder have remained the same, compliance with Companies Act 2016 and FRS 102 Section 19 allows the restructuring to be accounted for as a merger.

The group profit and loss account and cash flow statement have been prepared using merger accounting and are prepared on a pro forma basis as if the new holding company has been in existence throughout both the current and prior periods.

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

1.3 Going concern

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

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

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

1.5 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:

Leasehold improvements	10%- Straight Line
Plant and equipment	25%- Straight Line
Fixtures and fittings	25%- Straight Line
Motor vehicles	10%-25%- Straight Line

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 recognised in the profit and loss account.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.7 Fixed asset investments

Equity investments are measured at cost less impairment.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, 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.

1.11 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group 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 group after deducting all of its liabilities.

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

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

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

Derecognition of financial liabilities

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

1.12 Equity instruments

Equity instruments issued by the group 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 group.

1.13 Taxation

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

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

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

1.14 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.

1.15 Retirement benefits

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

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Tangible fixed assets- useful life, residual values and impairment

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives and residual values, factors such as maintenance programmes are taken into account. Residual value assessments consider issues such as future market considerations, the remaining life of the asset and projected disposal values. Where there are indicators of impairment of individual assets, impairment tests are performed. These are based on a calculation of either fair value less costs to sell or value in use. The carrying value of assets at reporting date is £1,207,826 (2018: £1,332,898).

3 Turnover and other revenue

	2019 £	2018 £
Turnover analysed by class of business		
Industrial cleaning services	6,990,517	6,288,543
	<u> </u>	<u> </u>
	2019 £	2018 £
Other significant revenue		
Interest income	-	7,008
	<u> </u>	<u> </u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	6,990,517	6,288,543
	<u> </u>	<u> </u>
4 Exceptional costs/(income)	2019 £	2018 £
Impairment of investment	1,260,000	-
Gain on sale of investment property	(700,000)	-
	<u> </u>	<u> </u>
	560,000	-
	<u> </u>	<u> </u>

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

5 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	396,910	318,642
(Profit)/loss on disposal of tangible fixed assets	-	44,774
Cost of stocks recognised as an expense	1,811,844	1,172,153
Operating lease charges	68,681	57,038
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	14,650	8,150
	<u> </u>	<u> </u>
	14,650	8,150
	<u> </u>	<u> </u>
For other services		
All other non-audit services	1,125	1,125
	<u> </u>	<u> </u>
	1,125	1,125
	<u> </u>	<u> </u>

7 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Monthly staff	12	12	-	-
Weekly staff	51	51	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	63	63	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	1,654,256	1,698,082	-	-
Social security costs	131,669	127,006	-	-
Pension costs	104,434	93,986	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,890,359	1,919,074	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	-	7,008

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	-	7,008
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9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	354,026	315,691
Adjustments in respect of prior periods	12,534	-
Total current tax	366,560	315,691
Deferred tax		
Origination and reversal of timing differences	15,227	(7,565)
Adjustment in respect of prior periods	(585)	-
Total deferred tax	14,642	(7,565)
Total tax charge	381,202	308,126

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

	2019 £	2018 £
Profit before taxation	1,088,566	1,661,193
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	206,828	315,627
Tax effect of expenses that are not deductible in determining taxable profit	252,824	12,352
Adjustments in respect of prior years	12,534	-
Deferred tax adjustments in respect of prior years	(585)	-
Fixed asset differences	(88,608)	1,649
Adjustments to rate of deferred tax	(1,791)	(1,467)
Deferred tax not recognised	-	(20,035)
Taxation charge	381,202	308,126

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

10 Tangible fixed assets

Group	Leasehold improvements	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 July 2018	328,915	520,434	165,620	3,953,984	4,968,953
Additions	87,442	7,007	-	177,389	271,838
At 30 June 2019	416,357	527,441	165,620	4,131,373	5,240,791
Depreciation and impairment					
At 1 July 2018	262,016	476,026	160,662	2,737,351	3,636,055
Depreciation charged in the year	6,063	15,096	2,405	373,346	396,910
At 30 June 2019	268,079	491,122	163,067	3,110,697	4,032,965
Carrying amount					
At 30 June 2019	148,278	36,319	2,553	1,020,676	1,207,826
At 30 June 2018	66,899	44,408	4,958	1,216,633	1,332,898

The company had no tangible fixed assets at 30 June 2019 or 30 June 2018.

11 Investment property

	Group 2019 £	Company 2019 £
Fair value		
At 1 July 2018 and 30 June 2019	577,463	-
Additions	744,213	-
Transfer	(560,000)	-
At 30 June 2019	761,676	-

12 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	13	-	-	10,740,000	-

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

12 Fixed asset investments (Continued)

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost or valuation

At 1 July 2018 and 30 June 2019

-

Additions

12,000,000

Impairment

At 1 July 2018

-

Impairment losses

1,260,000

At 30 June 2019

1,260,000

Carrying amount

At 30 June 2019

10,740,000

At 30 June 2018

-

13 Subsidiaries

Details of the company's subsidiaries at 30 June 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Acre Industrial & Cleaning Services Limited	1)	Industrial Cleaning Services	Ordinary	100.00	
Acre Rental Income Limited	1)	Dormant	Ordinary		100.00

1) Fullwood Estates, Linwood Moss Road, Houston by Johnston, Renfrewshire, PA6 7BJ.

14 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	5,097,827	4,631,713	2	2
Equity instruments measured at cost less impairment	-	-	10,740,000	-
Carrying amount of financial liabilities				
Measured at amortised cost	524,461	515,889	-	-

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

15 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	6,035	6,035	-	-

16 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	1,210,877	1,241,033	-	-
Other debtors	76,833	7,150	2	2
Prepayments and accrued income	111,104	144,637	-	-
	<u>1,398,814</u>	<u>1,392,820</u>	<u>2</u>	<u>2</u>

17 Creditors: amounts falling due within one year

	Group 2019 £	2018 £	Company 2019 £	2018 £
Trade creditors	471,078	256,559	-	-
Corporation tax payable	372,302	315,691	-	-
Other taxation and social security	213,398	342,579	-	-
Other creditors	22,500	84,761	-	-
Accruals and deferred income	53,383	174,569	-	-
	<u>1,132,661</u>	<u>1,174,159</u>	<u>-</u>	<u>-</u>

18 Deferred taxation

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

	Liabilities 2019 £	Liabilities 2018 £
Group		
Accelerated capital allowances	<u>146,691</u>	<u>136,706</u>

The company has no deferred tax assets or liabilities.

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

18 Deferred taxation (Continued)

	Group 2019 £	Company 2019 £
Movements in the year:		
Liability at 1 July 2018	136,706	-
Charge to profit or loss	14,642	-
Other	(4,657)	-
Liability at 30 June 2019	<u>146,691</u>	<u>-</u>

The deferred tax liability set about above is not expected to reverse within 12 months as it relates to accelerated capital allowances that are not expected to mature within the year.

19 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>104,434</u>	<u>93,986</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

20 Share capital

	Group 2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
20,002 of £1 each	<u>20,002</u>	<u>20,002</u>

The company issued 10,740,000 ordinary shares of £1 on it's reorganisation on 5 April 2019, in exchange for a share for share exchange in Acre Industrial & Cleaning Services Limited.

21 Reserves

Profit and loss reserves

Profit and loss reserves represent accumulated comprehensive income/(expenditure) for the year and prior periods, less any dividends.

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

22 Operating lease commitments

Lessee

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

	Group	2018	Company	2018
	2019		2019	
	£	£	£	£
Within one year	92,568	2,568	-	-
Between two and five years	342,208	7,276	-	-
In over five years	-	-	-	-
	<u>434,776</u>	<u>9,844</u>	<u>-</u>	<u>-</u>

23 Related party transactions

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2019	2018
	£	£
Group		
Entities under common control	<u>44,967</u>	<u>-</u>

24 Directors' transactions

Dividends totalling £120,000 (2018- £210,000) were paid in the year in respect of shares held by the company's directors.

There were no balances due to or from the company in respect of its directors at 30 June 2018 and 2019.

ACRE HOLDINGS 2016 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

25 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	707,364	1,353,067
Adjustments for:		
Taxation charged	381,202	308,126
Investment income	-	(7,008)
(Gain)/loss on disposal of investment	(700,000)	-
Depreciation and impairment of tangible fixed assets	396,910	318,642
Impairment of investments	1,260,000	-
Movements in working capital:		
(Increase)/decrease in stocks	-	2,017
(Increase) in debtors	(5,994)	(36,179)
(Decrease)/increase in creditors	(98,109)	83,707
Cash generated from operations	1,941,373	2,022,372