

Fortel Rail Construction Limited

Registered number: 06047125

Annual report and financial statements

For the year ended 31 January 2019

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FORTEL RAIL CONSTRUCTION LIMITED

COMPANY INFORMATION

Director	H S Dale
Registered number	06047125
Registered office	The Forge Old Perry Street Northfleet Gravesend Kent DA11 8BT
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor Park View House 58 The Ropewalk Nottingham NG1 5DW

FORTEL RAIL CONSTRUCTION LIMITED

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FORTEL RAIL CONSTRUCTION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2019

Introduction

The principal activity of the Company during the year was that of the provision of professional and blue collar workers to the rail, civil engineering and facilities management sectors.

Review of the business

Operating throughout the UK, SkyBlue (the trading name for Fortel Rail Construction Limited) provides manpower solutions to tier one UK contractors (operating in the civil engineering and rail sectors) and central government departments. The services delivered provide an all-encompassing and well-managed suite of solutions, embracing innovation to ensure it leads the sector on health and safety, technology and collaboration.

The Board manages the Company's business strategy in line with the current market outlook, with the continued aim of developing sustainable collaborative business partnership agreements with customers, suppliers and stakeholders. They see the long-term collaborative way of working as a key differentiator to that operated by its competitors.

The year to 31 January 2019 was a pivotal year for the business with the Company securing major new contracts seeing turnover increasing to in excess of £30m. The Company's prospects continue to remain strong as activity in these sectors continues to be buoyant.

Key performance indicators

The Board uses a range of financial and non-financial indicators to help manage its company operations and benchmarks these KPI's to those of its comparative peer group. These include its gross profit margin 9.02% (2018: 22.21%) and its administrative expense ratio 6.69% (2018: 3.37%).

In order to build on the substantial progress made in 2019, the Board have set the following objectives to be delivered in 2020:

- to continue to attract and develop a high calibre and flexible work force
- to improve efficiency to support margins
- to be recognised in the sectors it services to be a partner of choice delivering safe and sustainable ways of working

Future developments

The Company remains focused on delivering its core strategic objectives as set out in its corporate plan. This will be achieved by its continual policy of investment in leading technological operating platforms, innovative systems of delivering on-site client projects and ensuring it has the right level of appropriately qualified resource to continue to deliver a first-class service proposition.

Going concern

The Director of the Company has considered in detail the Company's forecast performance, including its forecast solvency and liquidity position. On this basis the Director has a reasonable expectation that the Company will maintain adequate solvency and liquidity to continue in operation for the foreseeable future. Accordingly, the Director of the Company has adopted the going concern basis in preparing these financial statements.

FORTEL RAIL CONSTRUCTION LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2019**

Implications of Britain leaving the European Union

We are aware that the uncertainty currently surrounding Brexit could potentially impact our customers, suppliers and funders. We are reviewing and monitoring the impact of this on an ongoing basis.

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

H S Dale
Director



Date: 9 SEPTEMBER 2019

FORTEL RAIL CONSTRUCTION LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 JANUARY 2019

The Director presents his report and the financial statements for the year ended 31 January 2019.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk and liquidity risk. The Company manages these risks through various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

The Board reviews and agrees policies for managing each of these risks and they are summarised below:

Price risk

The Company's exposure to price risk consists mainly of movements in underlying labour costs. The Board keeps under review the price fluctuations and agrees contract prices in advance with customers and subcontract suppliers.

Credit risk

The Company's main financial assets, from which the principal credit risk arises, are trade debtors and amounts recoverable on contracts. In order to manage credit risk the Board sets limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit control department on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by loan facilities.

Labour supply

The Company's reputation and ability to complete new contracts is dependent on the continued provision of qualified and skilled labour. The business monitors arrangements for sourcing quality and RTW vetted operatives from across the UK and abroad.

Health and safety

The Company recognises the importance of the health, safety and wellbeing of all people employed throughout the Company and is committed to ensuring the associated risks are aptly managed and controlled.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Director

The Director who served during the year was:

H S Dale

FORTEL RAIL CONSTRUCTION LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2019**

Disclosure of information to auditors

The Director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Dividends

The aggregate amount of interim dividends proposed subsequent to the financial year end and in advance of the approval of these financial statements are £500,000 per A Ordinary share.

Post balance sheet events

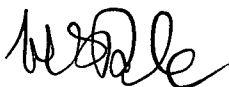
On 11 March 2019 the entire issued share capital of the Company was acquired by Fortel Construction Group Limited.

Auditors

The auditors, Mazars 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.

H S Dale
Director



Date:

9 SEPTEMBER 2019

FORTEL RAIL CONSTRUCTION LIMITED

**DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2019**

The Director is responsible for preparing the Strategic Report, the Director's 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FORTEL RAIL CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTEL RAIL CONSTRUCTION LIMITED

Opinion

We have audited the financial statements of Fortel Rail Construction Limited (the 'Company') for the year ended 31 January 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Director's view on the impact of Brexit is disclosed on page 2.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

FORTEL RAIL CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTEL RAIL CONSTRUCTION LIMITED

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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the 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 light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

FORTEL RAIL CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTEL RAIL CONSTRUCTION LIMITED

Responsibilities of Directors

As explained more fully in the Director's responsibilities statement set out on page 5, 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 Director determines 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 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 intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

Use of the audit 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.

Other matters

Without qualifying our opinion we draw attention to the Accounting Policies on page 13 to the financial statements and the fact that the comparative information in the financial statements was unaudited as the Company was entitled to exemption from audit.



Alistair Wesson (Senior Statutory Auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date: 18 SEPTEMBER 2019

FORTEL RAIL CONSTRUCTION LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2019**

	Note	2019 £	Unaudited 2018 £
Turnover	4	31,575,877	1,010,555
Cost of sales		(28,726,229)	(786,138)
		<hr/>	<hr/>
Gross profit		2,849,648	224,417
Administrative expenses		(2,113,652)	(34,088)
		<hr/>	<hr/>
Operating profit	5	735,996	190,329
Interest payable and expenses	7	(179,160)	-
		<hr/>	<hr/>
Profit before tax		556,836	190,329
Tax on profit	12	(134,380)	(36,470)
		<hr/>	<hr/>
Profit for the financial year		422,456	153,859
		<hr/>	<hr/>
Other comprehensive income for the year		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		422,456	153,859
		<hr/>	<hr/>

The notes on pages 13 to 25 form part of these financial statements.

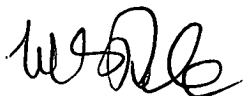
FORTEL RAIL CONSTRUCTION LIMITED
REGISTERED NUMBER: 06047125

BALANCE SHEET
AS AT 31 JANUARY 2019

	Note	2019 £	Unaudited 2018 £
Fixed assets			
Intangible assets	8	1,170,000	-
		<u>1,170,000</u>	<u>-</u>
Current assets			
Debtors	9	3,199,450	542,729
Cash at bank and in hand		1,142,474	303,760
		<u>4,341,924</u>	<u>846,489</u>
Creditors: Amounts falling due within one year	10	(4,797,478)	(554,499)
Net current (liabilities)/assets		<u>(455,554)</u>	<u>291,990</u>
Total assets less current liabilities		<u>714,446</u>	<u>291,990</u>
Net assets		<u><u>714,446</u></u>	<u><u>291,990</u></u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account		714,445	291,989
		<u>714,446</u>	<u>291,990</u>

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

H S Dale
 Director



Date: 9 SEPTEMBER 2019

The notes on pages 13 to 25 form part of these financial statements.

FORTEL RAIL CONSTRUCTION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 February 2018	1	291,989	291,990
Comprehensive income for the year			
Profit for the year	-	422,456	422,456
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	422,456	422,456
	<hr/>	<hr/>	<hr/>
At 31 January 2019	1	714,445	714,446
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 February 2017	1	138,130	138,131
Comprehensive income for the year			
Profit for the year	-	153,859	153,859
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	153,859	153,859
	<hr/>	<hr/>	<hr/>
At 31 January 2018	1	291,989	291,990
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Description of Reserves**Profit and Loss Account**

The Profit and Loss Account represents cumulative profits and losses of the Company.

The notes on pages 13 to 25 form part of these financial statements.

FORTEL RAIL CONSTRUCTION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JANUARY 2019**

	2019 £	Unaudited 2018 £
Cash flows from operating activities		
Profit for the financial year	422,456	153,859
Adjustments for:		
Amortisation of intangible assets	130,000	-
Interest paid	179,160	-
Taxation charge	134,380	36,470
(Increase) in debtors	(2,656,721)	(228,721)
Increase in creditors	1,169,201	335,288
Increase in amounts owed to groups	2,975,868	-
Corporation tax (paid)/received	(36,470)	6,864
Net cash generated from operating activities	2,317,874	303,760
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,300,000)	-
Net cash from investing activities	(1,300,000)	-
Cash flows from financing activities		
Interest paid	(179,160)	-
Net cash used in financing activities	(179,160)	-
Net increase in cash and cash equivalents	838,714	303,760
Cash and cash equivalents at beginning of year	303,760	-
Cash and cash equivalents at the end of year	1,142,474	303,760
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,142,474	303,760
	1,142,474	303,760

The notes on pages 13 to 25 form part of these financial statements.

FORTEIL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

1. General information

Fortel Rail Construction Limited presents its financial statements for the year ended 31 January 2019. The Company is limited by shares and is registered in England. The Company's registered number is 06047125 and its registered office address is The Forge, Old Perry Street, Northfleet, Gravesend, Kent, DA11 8BT.

The presentational currency for the financial statements is Pounds Sterling (£) and all amounts have been rounded to the nearest £1.

A summary of the Company's accounting policies, which have been consistently applied, are set out below:

2. Accounting policies

2.1 Basis of preparation of financial statements

The prior year figures are unaudited because the Company did not fall within the scope of requiring an audit.

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

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

2.2 Going concern

The accounts have been prepared on a going concern basis. Having carried out a detailed review of the Company's resources and the challenges presented by the current economic climate, the Directors are satisfied that the Company has sufficient cash flows to meet its liabilities as they fall due for at least one year from the date of approval of the accounts.

2.3 Financial instruments

Trade and other debtors or creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

2. Accounting policies (continued)

2.3 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2.4 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Profit and Loss Account in the periods during which services are rendered by employees.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Amortisation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years as this is deemed to be the most appropriate basis by the Company.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

2.6 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issues; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

2. Accounting policies (continued)

2.7 Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset of cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

2.8 Provisions

A provision is recognised in the Balance Sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

2. Accounting policies (continued)

2.9 Revenue

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

Rendering of services

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

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

2.10 Finance costs

Finance costs are charged to the Profit and Loss Account 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.

2.11 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the Profit and Loss Account over the term of the lease as an integral part of the total lease expense.

FORTEIL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

2. Accounting policies (continued)**2.12 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in period different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the Balance Sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

The preparation of financial statements under FRS 102 requires management to make estimates and assumptions which affect the financial statements.

There are estimates and assumptions related to the recovery of receivables. At the end of each financial period, management assess the carrying value of receivables for impairment where indications exist to suggest that the receivable may be impaired.

At the end of each financial period, management assess whether goodwill should be impaired with reference to the estimation of future cash flows in respect of the underlying asset.

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	Unaudited 2018 £
Rendering of services	31,575,877	1,010,555
	<u>31,575,877</u>	<u>1,010,555</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019 £	Unaudited 2018 £
Amortisation of intangible assets, including goodwill	130,000	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14,500	-
Fees payable to the Company's auditor and its associates in respect of:		
Non-audit services	6,500	-
Other operating lease rentals	777	7,200
Defined contribution pension cost	44,455	-
	<u>44,455</u>	<u>-</u>

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

6. Employees

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

	2019	Unaudited
	£	2018
		£
Wages and salaries	8,383,467	-
Social security costs	586,171	-
Pension costs	44,455	-
	<u>9,014,093</u>	<u>-</u>

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

	2019	Unaudited
	No.	2018
		No.
Employees	<u>254</u>	<u>1</u>

7. Interest payable and similar expenses

	2019	Unaudited
	£	2018
		£
Other loan interest payable	179,160	-
	<u>179,160</u>	<u>-</u>

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

8. Intangible assets

	Goodwill £
Cost	
Additions	1,300,000
At 31 January 2019	<u>1,300,000</u>
Amortisation	
Charge for the year	130,000
At 31 January 2019	<u>130,000</u>
Net book value	
At 31 January 2019	<u><u>1,170,000</u></u>
At 31 January 2018 (unaudited)	<u><u>-</u></u>

The goodwill is the result of a business combination between the acquirer Fortel Rail Construction Limited and the sellers Everprime Limited, Postworth Limited and Carillion Construction Limited. The assets of these businesses per the business sale agreement were acquired on 19 February 2018 at a cost of £1,300,000 and have been accounted for as goodwill via the purchase method under the provisions of Section 19 of FRS 102.

9. Debtors

	2019 £	Unaudited 2018 £
Trade debtors	1,273,847	376,728
Other debtors	1,179	166,001
Prepayments and accrued income	1,924,424	-
	<u><u>3,199,450</u></u>	<u><u>542,729</u></u>

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

10. Creditors: Amounts falling due within one year

	2019 £	Unaudited 2018 £
Trade creditors	364,792	1,860
Loan amounts due to related parties	2,975,868	-
Corporation tax	134,380	36,470
Other taxation and social security	916,840	67,448
Other creditors	245,204	448,721
Accruals and deferred income	160,394	-
	<u>4,797,478</u>	<u>554,499</u>

Loan amounts owed to related parties are unsecured, bear interest at 4.5% per annum on the outstanding principal amount of the loan, and is repayable on demand.

Included within other creditors are unsecured shareholder loans of £150,000 which are repayable on demand. Interest is charged at 6.0% per annum on the outstanding principal of the loan amount.

11. Financial instruments

	2019 £	Unaudited 2018 £
Financial assets		
Financial assets measured at amortised cost	1,142,474	303,760
Financial assets that are debt instruments measured at amortised cost	1,275,026	542,729
	<u>2,417,500</u>	<u>846,489</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,585,864)</u>	<u>(450,581)</u>

Financial assets measured at amortised cost comprises of cash and bank in hand balances of £1,142,474 (2018: £303,760).

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors £1,273,847 (2018: £376,728) and other debtors of £1,179 (2018: £166,001).

Financial liabilities measured at amortised cost comprise of trade creditors of £364,792 (2018: £1,860), other creditors of £245,204 (2018: £448,721) and amounts owed to related parties of £2,975,868 (2018: £NIL).

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

12. Taxation

	2019 £	Unaudited 2018 £
Corporation tax		
Current tax on profits for the year	134,380	36,470
Total current tax	<u>134,380</u>	<u>36,470</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>134,380</u>	<u>36,470</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - the same as) the standard rate of corporation tax in the UK of 19% (2018 - 19%) as set out below:

	2019 £	Unaudited 2018 £
Profit on ordinary activities before tax	<u>556,836</u>	<u>190,329</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	105,799	36,470
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,121	-
Amortisation not deductible for tax purposes	24,700	-
Short term timing difference leading to an increase (decrease) in taxation	760	-
Total tax charge for the year	<u>134,380</u>	<u>36,470</u>

FORTEIL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019**

13. Share capital

	2019 £	Unaudited 2018 £
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	1	1
	<u>1</u>	<u>1</u>

14. Business combinations

Under the provisions of Section 19 of FRS 102, on 19 February 2018 the Company acquired assets of Everprime Limited, Postworth Limited and Carillion Construction Limited constituting a business combination.

The following table details the consideration paid by the Company at the acquisition date:

	2019 £
Cash	1,300,000
	<u>1,300,000</u>
Assets at the date of acquisition:	
	2019 £
Goodwill	1,300,000
	<u>1,300,000</u>

Goodwill is estimated to have a useful life of 10 years.

FORTEL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

15. Related party transactions

Company Loans

Included within creditors are unsecured loan amounts due to a Company under common control DLF Capital Limited of £2,975,868 (2018: £nil). Interest is accrued at 4.5% per annum on the outstanding principal amount of the loan and the loan is repayable on demand.

Included within other creditors are unsecured shareholder loans of £150,000 (2018: £nil) which are repayable on demand. Interest is accrued at 6.0% per annum on the outstanding principal of the loan amount and is included within accruals.

The interest charge for the year included in the Profit and Loss Account on these loans is £179,160 (2018: £nil).

Outstanding balances and transactions

During the year the Company entered into commercial transactions with Fortel Services Limited, a Company under common control.

Amounts due and from Fortel Services Limited at 31 January 2019 are included in trade debtors and trade creditors. The following amounts are outstanding as at 31 January 2019:

	2019	2018
Trade Debtors	£ 21,698	£7,740
Trade Creditors	£ 349,756	£Nil

Fortel Services Limited provided services of £1,248,428 (2018: £980,543) and made purchases of £34,536 (2018: £37,478) during the year.

In addition to trading transactions Fortel Services Limited provided management services of £249,400 (2018: £Nil) during the year.

Key management personnel

Key management personnel are defined as those persons with authority and responsibility for indirectly or directly planning, directing and controlling the activities of Fortel Rail Construction Limited. The aggregate compensation payable to key management personnel during the year was £236,072 (2018: £Nil).

16. Post balance sheet events

On 11 March 2019 the entire issued share capital of the Company was acquired by Fortel Construction Group Limited.

17. Ultimate controlling party

The company is controlled by Mr Narrinder Singh Nijjer who holds 100% of the Ordinary Shares in issue.