

Fortel Rail Construction Limited

Registered number: 06047125

Annual report and financial statements

For the year ended 30 September 2020



FORTEL RAIL CONSTRUCTION LIMITED

COMPANY INFORMATION

Director	H S Dale
Registered number	06047125
Registered office	1 Diversity Drive Walsall England WS2 8DS
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 30 SEPTEMBER 2020

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, 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 Company which is part of the Fortel Construction Group, which will ensure that the company has access to market leading technological platforms, wider group support functions and growth capital to deliver future growth plans as set out in its corporate plan. 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 9.23% (2019: 9.92%) and its administrative expense ratio 5.88% (2019: 5.86%).

In order to build on the substantial progress made since the Company was acquired into the Fortel Group, the Board have continued to set the following objectives to be delivered in 2021:

- to continue to attract and develop a high calibre, flexible and qualified work force
- to continue to onboard new clients
- to be recognised in the sectors it services to be a partner of choice delivering safe and sustainable ways of working

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.

Coronavirus

The Company's Board continues to review market opportunities and risks that the Covid-19 pandemic has placed on the sectors the company operates within. This has entailed ensuring its key asset; its employees have the right PPE and information to undertake their job safely, re-negotiating key customer accounts credit payment terms where the company feels that this is necessary, forging even closer key strategic alliances with its tier one supply chain and undertaking rigorous financial stress tests scenario planning to cover a multitude of eventualities. The Board is confident that it has the confirmed sales pipeline and liquidity to manage operations for the foreseeable future.

FORTEL RAIL CONSTRUCTION LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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.

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



H S Dale
Director

Date: 15th September 2021

FORTEL RAIL CONSTRUCTION LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The Director presents his report and the financial statements for the year ended 30 September 2020.

Director's responsibilities statement

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.

Director

The Director who served during the year was:

H S Dale

FORTEL RAIL CONSTRUCTION LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 its people that it employs, and the Board has installed a zero-harm objective which is supported by its Health & Safety strategy.

Employees

Diversity, inclusion and respect remain central to the Companies people strategy. It has implemented measures to ensure that people of all genders and backgrounds are able to access careers in the sectors in which it operates. It encourages people of all backgrounds to join the Company, providing them with continual support to enable them to have fulfilling careers

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.

FORTELL RAIL CONSTRUCTION LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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 2.

Dividends

The aggregate amount of interim dividends paid during the year was £Nil (2019: £500,000) per A Ordinary share.

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: 15th September 2021

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 30 September 2020 which comprise the statement of comprehensive income, the balance sheet, 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 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

FORTEL RAIL CONSTRUCTION LIMITED

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

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.

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 3, 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 Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.



Alistair Wesson [Sep 23, 2021 15:10 GMT+1]

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: Sep 23, 2021

FORTEL RAIL CONSTRUCTION LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

		30 September 2020 £000	8 month period ended 30 September 2019 £000
	Note		
Turnover	4	14,542	15,467
Cost of sales		(13,200)	(13,933)
Gross profit		1,342	1,534
Administrative expenses		(855)	(907)
Operating profit		487	627
Interest payable and expenses	7	(78)	(64)
Profit before tax		409	563
Tax on profit	12	(62)	(122)
Profit for the financial year		347	441
Other comprehensive income for the year		-	-
Total comprehensive income for the year		347	441

The notes on pages 12 to 23 form part of these financial statements.

FORTEL RAIL CONSTRUCTION LIMITED
REGISTERED NUMBER: 06047125

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	8	953	1,083
		<u>953</u>	<u>1,083</u>
Current assets			
Debtors	9	2,348	3,612
Cash at bank and in hand	10	876	714
		<u>3,224</u>	<u>4,326</u>
Creditors: amounts falling due within one year	11	(3,175)	(4,754)
Net current assets/(liabilities)		<u>49</u>	<u>(428)</u>
Total assets less current liabilities		<u>1,002</u>	<u>655</u>
Net assets		<u>1,002</u>	<u>655</u>
Capital and reserves			
Profit and loss account		1,002	655
		<u>1,002</u>	<u>655</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: 15th September 2021

The notes on pages 12 to 23 form part of these financial statements.

FORTEL RAIL CONSTRUCTION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 October 2019	-	655	655
Comprehensive income for the year			
Profit for the year	-	347	347
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	347	347
At 30 September 2020	-	1,002	1,002

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 February 2019	-	714	714
Comprehensive income for the period			
Profit for the period	-	441	441
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	441	441
Dividends: Equity capital	-	(500)	(500)
At 30 September 2019	-	655	655

Description of Reserves**Profit and Loss Account**

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

The notes on pages 12 to 23 form part of these financial statements.

FORTEIL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General information

Fortel Rail Construction Limited presents its financial statements for the year ended 30 September 2020. The Company is limited by shares and is registered in England. The Company's registered number is 06047125 and its registered office address is 1 Diversity Drive, Walsall, England, WS2 8DS.

The presentational currency for the financial statements is Pounds Sterling (£) and all amounts have been rounded to the nearest £1,000.

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 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).

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by The Company's shareholders. The Company is included in the consolidated financial statements of its parents undertaking, Fortel Construction Group Limited. Note 17 provides full details of where those consolidated financial statements may be obtained from.

In preparing the financial statements, the Company has taken the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 'Related Party Disclosures';
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 'Statement of Financial Position'; and
- from presenting a statement of cash flows, as required by Section 7 'Statement of Cash Flows'.

On the basis that equivalent disclosures are given in the consolidated financial statements, the Company has also taken advantage of the exemption not to provide certain disclosures as required by Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues'.

2.2 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)**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.

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 profit or loss 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 30 SEPTEMBER 2020**

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 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.

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)**2.7 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.

2.8 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.

2.9 Finance costs

Finance costs are charged to profit or loss 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.

FORTEL RAIL CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.10 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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 30 SEPTEMBER 2020**

4. Turnover

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

	30 September 2020 £000	8 month period ended 30 September 2019 £000
Rendering of services	14,542	15,467
	<u>14,542</u>	<u>15,467</u>

All turnover arose within the United Kingdom.

5. Auditors' remuneration

The costs of auditors' remuneration were borne elsewhere within the group.

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

6. Employees

Staff costs were as follows:

	30 September 2020 £000	8 month period ended 30 September 2019 £000
Wages and salaries	5,107	6,048
Social security costs	482	618
Pension costs	63	69
	<u>5,652</u>	<u>6,735</u>

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

	30 September 2020 No.	8 month period ended 30 September 2019 No.
Employees	<u>186</u>	<u>263</u>

There were no Directors remuneration costs incurred by the company. The costs of Directors remuneration are borne elsewhere within the group.

7. Interest payable and similar expenses

	30 September 2020 £000	8 month period ended 30 September 2019 £000
Loan interest payable to group undertakings	80	48
Loan interest payable to related parties	(2)	16
	<u>78</u>	<u>64</u>

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

8. Intangible assets

	Goodwill £000
Cost	
At 1 October 2019	1,300
At 30 September 2020	<u>1,300</u>
Amortisation	
At 1 October 2019	217
Charge for the year on owned assets	130
At 30 September 2020	<u>347</u>
Net book value	
At 30 September 2020	<u>953</u>
At 30 September 2019	<u>1,083</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

	2020 £000	2019 £000
Trade debtors	1,252	2,554
Amounts owed by group undertakings	717	88
Other debtors	1	-
Prepayments and accrued income	4	10
Amounts recoverable on long term contracts	374	960
	<u>2,348</u>	<u>3,612</u>

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

10. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	876	714
	<u>876</u>	<u>714</u>

11. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	5	5
Loan amounts due to group undertakings	2,676	3,352
Corporation tax	61	256
Other taxation and social security	141	657
Other creditors	66	214
Accruals and deferred income	226	270
	<u>3,175</u>	<u>4,754</u>

Loan amounts owed to group undertakings are unsecured, bear interest at 3.5% per annum on the outstanding principal amount of the loan, and are repayable on 8 April 2022.

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

12. Taxation

	30 September 2020 £000	8 month period ended 30 September 2019 £000
Corporation tax		
Current tax on profits for the year	97	122
Adjustments in respect of previous periods	(35)	-
Total current tax	62	122
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	62	122

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

12. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	30 September 2020 £000	8 month period ended 30 September 2019 £000
Profit on ordinary activities before tax	409	563
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	78	107
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19	15
Adjustments to tax charge in respect of prior periods	(35)	-
Total tax charge for the year/period	62	122

Factors that may affect future tax charges

There were no significant factors that may affect future tax charges.

FORTEL RAIL CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

13. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1 (2019 - 1) Ordinary share of £1.00	1	1

14. Pension commitments

The Company operates a defined contribution pension scheme. the assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge of £63k (2019: £69k) represents contributions payable to the funds. At the period end there was a pension creditor balance of £6k (2019: £85k).

15. Dividends

	2020 £000	2019 £000
£Nil (2019: £500,000) per 1 ordinary share declared and paid	-	500

16. Related party transactions

Fortel Rail Construction Limited has taken the exemption contained in Section 33 of FRS 102 - "Related Party Disclosures" and therefore has not disclosed transactions or balances with entities wholly owned members of the Fortel Construction Group Limited group.

17. Ultimate controlling party

The Company is a subsidiary undertaking of Fortel Construction Group Limited.

The group in which the results of the Company are consolidated is that headed by Fortel Construction Group Limited, incorporated in England. Group financial statements include the results of the Company. The consolidated financial statement of the Group are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The Company and Group are wholly-owned and controlled by SS Nijjer.