

Company Registration Number 02876690

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2020

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M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R P Crook
P D Cleaver
G Shannon (appointed 29 September 2020)

REGISTERED OFFICE

Shearwater House
Clevedon Hall Estate
Victoria Road
Clevedon
Bristol
BS21 7RD

AUDITOR

BDO LLP
Bridgewater House,
Counterslip
Bristol
BS1 6BX
United Kingdom

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

The company was acquired by Hydro International Limited on the 22 July 2019, and to align the company's year end with the rest of the group, it was changed to 31 December. As a result of the change in year end the 2019 result is for a 9 month period and therefore are not entirely comparable to the current year.

PRINCIPAL ACTIVITY

The principal activity of the company continued to be that of electrical and mechanical wastewater services and sale of wastewater equipment.

DIRECTORS

The directors who served during the year and subsequently were as follows:

R P Crook
P Cleaver
G Shannon

DIVIDENDS

The company did not pay a dividend during the year (period to 31 December 2019: Nil). The directors do not recommend payment of a final dividend.

GOING CONCERN

The current economic conditions create uncertainty particularly over (a) the level of demand for the company's products; and (b) the exchange rate between sterling and other European currencies and the consequent impact on the cost of the company's imports of wastewater products.

The company made a loss during the year due to costs that are not expected to be ongoing. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current financial facilities.

After making enquiries, the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

Credit risk:

The company's customers are typically public sector bodies and major water utilities. For this reason the directors consider the credit risk to be manageable. To minimise credit risk, on large orders, letters of credit are obtained from the bank in order to secure the funds from a customer before orders are placed directly with suppliers.

There is a regular review of the company's funding requirements to ensure these are adequate for its needs.

Judgement and estimates risk:

The company's principal financial assets are trade debtors and balances derived from judgements and estimates of the correct income and costs to recognise in the profit and loss account on contracts (including amounts recoverable under contracts, work-in-progress and retentions).

The risk of incorrect judgement of the recoverability of contract balances is managed through the regular review of each contract by the relevant project manager with senior financial and operational management in the company. Any foreseeable losses on contracts are recognised through the profit and loss account as soon as they become apparent.

Cash flow risk:

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, and raw material price fluctuations. Where practicable and economic to do so the company uses foreign exchange forward contracts to hedge these exposures, as it believes appropriate.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board



G Shannon
Director
23 September 2021

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), comprising FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

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

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practise; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of M. & N. Electrical and Mechanical Services Limited ('the Company') for the year ended 31 December 2020 which comprise profit and loss account, balance sheet, statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

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

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

Other information

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED (CONTINUED)

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, and the Corporation Tax Act 2010. We identified these areas of laws and regulations as those that could reasonably be expected to have a material effect on the financial statements from sector experience and through discussion with the Directors and other management.

We assessed compliance with these laws and regulations through enquiry with management and the Audit Committee, review of reporting to Directors with respect to compliance with laws and regulations, review of board meeting minutes and review of legal correspondence and confirmations.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud including management override of controls, we have performed journals testing based on a set of fraud risk criteria and tested to supporting documentation also verifying the business rationale. We also incorporated unpredictability procedures as part of our response to the risk of management override of controls.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED (CONTINUED)

We further addressed the susceptibility of the Company's financial statements to fraud occurring in revenue recognition. This is due to the judgements taken by the directors in determining revenue recognised for long term supply and installation contracts. We assessed the satisfaction of performance obligations of contracts by comparing to evidence obtained from sources outside of the finance function to ensure the appropriateness of revenue recognised in the period. To address the risk of revenue occurrence we tested a sample of product sales to delivery notes to ensure the existence of revenue and correct revenue recognition point. For service revenue streams we tested revenue recognised to appropriate third party evidence in the form of service reports to ensure the existence of revenue and the correct revenue recognition.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

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.

DocuSigned by:

Sarah Applegate

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Sarah Applegate (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Bristol UK

29 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Period ended 31 December 2019 £
TURNOVER		17,745,927	11,511,690
Cost of sales		(15,486,165)	(11,096,774)
GROSS PROFIT		2,259,762	414,916
Administrative expenses		(2,079,180)	(2,379,115)
OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		180,582	(1,964,199)
Interest payable	5	(57,200)	(27,013)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	123,382	(1,991,212)
Tax credit/(charge) on profit on ordinary activities	6	41,064	209,003
PROFIT/(LOSS) FOR THE FINANCIAL YEAR/PERIOD		164,446	(1,782,209)

There have been no recognised gains or losses during the current or prior financial period other than as stated in the profit and loss account, and accordingly, no separate statement of total comprehensive income is presented.

The notes on pages 11 to 27 form an integral part of the financial statements.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

BALANCE SHEET At 31 December 2020

		Year ended 31 December 2020 £	Period ended 31 December 2019 £
	Note		
FIXED ASSETS			
Tangible assets	7	1,781,532	2,250,886
CURRENT ASSETS			
Stocks	9	2,050,169	1,800,349
Debtors			
- due within one year	10	4,787,459	3,612,743
Cash at bank and in hand		90,006	3,468
		6,927,634	5,416,560
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(3,875,135)	(2,684,211)
NET CURRENT ASSETS		3,052,499	2,732,349
TOTAL ASSETS LESS CURRENT LIABILITIES		4,834,031	4,983,235
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(772,628)	(877,700)
PROVISIONS FOR LIABILITIES	12	(341,949)	(527,654)
PROVISIONS FOR DEFERRED TAX	13	(195,571)	(218,444)
NET ASSETS		3,523,883	3,359,437
CAPITAL AND RESERVES			
Called up share capital	14	500	500
Capital redemption reserve	15	500	500
Profit and loss account	15	3,522,883	3,358,437
SHAREHOLDERS' FUNDS		3,523,883	3,359,437

The notes on pages 11 to 27 form an integral part of the financial statements.

The financial statements of M. & N. Electrical and Mechanical Services Limited, registered number 02876690, were approved by the Board of Directors and authorised for issue on 23 September 2021.

Signed on behalf of the Board of Directors



G Shannon
Director

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
At 31 December 2020

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 April 2019	500	500	5,140,646	5,141,646
Total comprehensive loss	-	-	(1,782,209)	(1,782,209)
Dividends	-	-	-	-
Balance at 31 December 2019	500	500	3,358,437	3,359,437
Total comprehensive profit	-	-	164,446	164,446
Balance at 31 December 2020	500	500	3,522,883	3,523,883

The notes on pages 11 to 27 form an integral part of the financial statements.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period.

Basis of Accounting

M. & N. Electrical and Mechanical Services Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's principal activities are set out in the Directors' report on pages 2 and 3.

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101 but makes amendments where necessary in order to comply Companies Act 2006 and set out below the advantage of the FRS101 disclosure exemption has been taken.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- business combinations – IFRS 3.62 and IFRS 3 B64(d), (e), (g), (h), (j), (m), (n)(ii), (o)(ii), (p), (q)(ii);
- financial instruments – All the disclosure requirements of IFRS 7 *Financial Instruments Disclosures*;
- presentation of comparative information in respect of certain assets – IAS 1.38;
- Non-current assets held for sale and discontinued operations – IFRS 5.33(c);
- standards not yet effective – IAS 8.30-31;
- impairment of assets – IAS 36.130(f)(ii) & (iii); and
- related party transactions – IAS 24.17

Where required, equivalent disclosures are given in the group financial statements of Turner International Holdco Limited. The group financial statements of Turner International Holdco Limited are available to the public and can be obtained as set out in note 20.

Going concern

The Company meets its day to day working capital requirements using the cash available at its bank. The current economic conditions create uncertainty particularly over (a) the level of demand for the Company's products and (b) the exchange rate between sterling and Euro and thus the consequence for the cost of the Company's cost of sales.

The company had a positive cash balance of £90,006 at 31 December 2020 and has access to a shared overdraft facility and a pooling arrangement with other companies in the Group. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

Financial forecasts have been prepared by the company through to August 2022, these forecasts have been stress tested by modelling the impact of reduced profitability and cash flow over the period. The conclusion from this detailed analysis is that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2020**

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Plant and machinery	20% per annum
Fixtures, fittings and equipment	20%-33% per annum
Vehicles	25% per annum
Leasehold property	Over the length of the lease

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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.

Deferred taxation is provided in full on timing differences which represent an asset or a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2020**

1. ACCOUNTING POLICIES (continued)

Foreign exchange

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Turnover

Revenue is measured at the transaction price agreed with the customer on the sales order, net of discounts and value added tax.

Product revenue is recognised when the Company has satisfied its performance obligations to the customer and the customer has obtained control of the goods being transferred.

Service revenue is recognised either:

- annual contracts - over time in the accounting period when the services are rendered;
- fixed fee arrangements - recognised based on the actual services provided to date as the provision and consumption of service occur simultaneously.

Customer rebates: Where the Group has rebate agreements with its customers, the value of customers rebates paid or payable, calculated in accordance with the agreements in place based on the most likely outcome, is deducted from turnover in the year in which the rebate is earned.

Turnover is stated net of VAT and trade discounts.

Pension costs

The company contributes to the personal pension schemes of certain employees. The assets of such schemes are held separately from those of the company. The pension cost charge as shown in note 3 represents contributions payable by the company to the schemes.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2020**

1. ACCOUNTING POLICIES (continued)

Leases

The company leases mainly vehicles where contracts are typically for fixed periods of 36 to 48 months, but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on information provided by the lessor.

Lease terms are negotiated on an individual basis but mainly are for a similar term of 48 months and have similar terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payment of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability, if applicable.

The lease payments are discounted using the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement dates less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right of use assets are depreciated over the shorter of the asset's life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 2.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Period ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet 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 of the investment have been affected.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets are assessed individually as to whether they are impaired. The individual circumstances of the debt and objective evidence is obtained and considered when deciding whether a debt is impaired.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2020**

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. No derivative financial instruments have been entered into in the last 2 years.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2020**

2. CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Deferred tax assets

In making its judgement in relation to the appropriateness of recognising deferred tax assets, management considers the detailed criteria for the recognition of deferred tax assets set out in IAS 12 – Income Taxes and, in particular, whether it is probable that future taxable profit will be available against which they can be utilised. If the Directors are not satisfied that future taxable profits are probable against which deferred tax assets may be utilised then no such assets are recognised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition

The calculation of the expected margin on a contract requires future anticipated costs to be estimated. This expected margin is used when determining the revenue and costs that the entity should include for individual phases of construction contracts.

Warranty provision

To ensure warranty costs are provided requires an estimation of future costs related to projects that are installed at the balance sheet date in accordance with IAS 37 – provisions.

Leases

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the company;

- Where possible, uses recent third-party financing received by the Group in which the lessee is a part as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- Make adjustments specific to the lease, e.g. term currency and security.

The company used the incremental borrowing rate of 13%. A 100-basis point increase/(decrease) in the rate would cause the lease liabilities to (reduce)/increase by an immaterial amount and a corresponding (decrease)/increase in the right-of-use assets by the same amount.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Directors' emoluments:		
Emoluments	33,000	76,377
	£	£
Contributions to personal pension schemes on behalf of the directors	3,300	1,160
	No.	No.
The number of directors who had contributions made to personal pension schemes	1	1

The company shares a director with 2 other companies in the Group and a portion of the cost of the director is born by each company.

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Employee costs (including directors) during the year:		
Wages and salaries	6,015,421	4,336,576
Social security costs	628,385	482,685
Other pension costs	211,678	105,642
	<hr/>	<hr/>
	6,855,484	4,924,903

Average number of persons employed:	No.	No.
Management	3	5
Direct	11	11
Indirect	126	103
	<hr/>	<hr/>
	140	119

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration:		
- for the auditing of the financial statements	21,750	15,000
- non-audit fees	3,759	3,844
Depreciation of tangible fixed asset	695,124	707,002
Loss/(profit) of disposal of fixed asset	2,115	734
Net foreign exchange (profit)/losses	(44,816)	(30,401)

Non-audit fees relate to taxation services provided by auditors BDO LLP.

5. INTEREST (PAYABLE)/RECEIVABLE

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Finance cost		
Bank and loan interest payable	-	(32)
Interest on finance leases and hire purchase contracts	(52,772)	(26,981)
Other interest on financial liabilities	(4,428)	-
	<hr/> (57,200) <hr/>	<hr/> (27,013) <hr/>
Net finance cost	<hr/> (57,200) <hr/>	<hr/> (27,013) <hr/>

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2020

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Analysis of charge/(credit) for the year		
UK Corporation tax for the period	-	(104,126)
Adjustment in respect of prior years	(84,599)	58,286
Group relief	66,408	-
	<u>(18,191)</u>	<u>(45,840)</u>
Deferred tax		
Origination and reversal of timing differences	(55,596)	(38,640)
Adjustment in respect of prior years – deferred tax	6,284	(124,523)
Rate changes	26,439	-
	<u>(22,873)</u>	<u>(163,163)</u>
Total deferred tax	<u>(22,873)</u>	<u>(163,163)</u>
Total tax on (loss)/profit on ordinary activities	<u>(41,064)</u>	<u>(209,003)</u>

Factors affecting credit for the year

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 19% (2019: 19%). The tax on (loss)/profit on ordinary activities for the year differs from the blended standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Profit/(Loss) on ordinary activities before tax	<u>123,382</u>	<u>(1,991,212)</u>
	£	£
Tax on (loss)/profit on ordinary activities at standard rate	23,442	(378,330)
Effect of:		
Expenses not deductible for tax purposes	(12,630)	279,599
Adjustment in respect of prior years	(78,315)	(124,921)
Research and development tax credit	-	-
Rate differences	26,439	14,649
	<u>(41,064)</u>	<u>(209,003)</u>

The deferred tax liability at 31 December 2020 has been calculated based on the UK rate of 19%. There are no expiry dates on timing differences. The UK Corporation tax rate is set to remain at 19% until April 2023 at which it due to increase to 25%. It is not anticipated that the increase in 2023 will have a significant impact on effective tax rate of the group, and therefore the deferred tax asset has been calculated based on the current 19%.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

7. TANGIBLE FIXED ASSETS

Year ending 31 December 2020

	Land and buildings – leasehold £	Plant and machinery £	Fixtures, fittings and equipment £	Computer and office equipment £	Motor Vehicles £	Total £
Cost						
At 1 January 2020	1,122,431	1,059,445	72,516	111,025	1,236,283	3,601,700
Additions	1,142	74,666	4,683	52,034	131,657	264,182
Disposals	-	(62,346)	-	-	(5,737)	(68,083)
At 31 December 2020	1,123,573	1,071,765	77,199	163,059	1,362,203	3,797,799
Depreciation and impairment						
At 1 January 2020	96,767	447,034	30,285	59,310	717,418	1,350,814
Depreciation charged in the year	126,485	186,316	13,079	36,838	332,406	695,124
Eliminated in respect of disposals	-	(23,934)	-	-	(5,737)	(29,671)
At 31 December 2020	223,252	609,416	43,364	96,148	1,044,087	2,016,267
Carrying amount						
At 31 December 2020	900,321	462,349	33,835	66,911	318,116	1,781,532

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

7. TANGIBLE FIXED ASSETS (continued)

<u>Period ending 31 December 2019</u>	Land and buildings – freehold £	Land and buildings – leasehold £	Plant and machinery £	Fixtures, fittings and equipment £	Computer and office equipment £	Motor Vehicles £	Total £
Cost							
At 1 April 2019	201,470	631,900	2,121,332	98,041	189,336	1,769,804	5,011,883
Additions	1,867	1,016,212	53,579	6,573	18,965	164,015	1,261,211
Disposals	(203,337)	(525,681)	(1,115,466)	(32,098)	(97,276)	(697,536)	(2,671,394)
At 31 December 2019	-	1,122,431	1,059,445	72,516	111,025	1,236,283	3,601,700
Depreciation and impairment							
At 1 April 2019	-	228,209	1,194,988	35,840	133,140	944,933	2,537,110
Depreciation charged in the year	-	102,732	270,119	3,798	23,025	307,328	707,002
Eliminated in respect of disposals	-	(234,174)	(1,018,073)	(9,353)	(96,855)	(534,843)	(1,893,298)
At 31 December 2019	-	96,767	447,034	30,285	59,310	717,418	1,350,814
Carrying amount							
At 31 December 2019	-	1,025,664	612,411	42,231	51,715	518,865	2,250,886

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2020

8. LEASES

The company has lease contracts. The amounts recognised in the financial statements in relation to these leases are as follows:

i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Leasehold property £	Motor Vehicles £	Total £
Cost			
At 1 January 2020	1,013,274	143,132	1,156,406
Additions	-	61,868	61,868
Disposals	-	(5,737)	(5,737)
At 31 December 2020	1,013,274	199,263	1,212,537
Depreciation			
At 1 January 2020	75,710	37,209	112,919
Charge for the year	115,532	80,094	195,626
Disposals	-	(5,737)	(5,737)
At 31 December 2020	191,242	111,566	302,808
Net book value At 31 December 2020	822,032	87,697	909,729
Right-of-use assets	Leasehold property £	Motor Vehicles £	Total £
Cost			
Addition	1,013,274	143,132	1,156,406
At 31 December 2019	1,013,274	143,132	1,156,406
Depreciation			
Charge for the period	75,710	37,209	112,919
At 31 December 2019	75,710	37,209	112,919
Net book value At 31 December 2019	937,564	105,923	1,043,487
		2020 £	2019 £
Lease Liabilities:			
Current		175,547	184,919
Non-current		769,266	868,922
		944,813	1,053,841

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2020

8. LEASES (continued)

ii) Amounts recognised in the income statement

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Depreciation charge of right-of-use assets:		
Leasehold property	(115,532)	(75,710)
Motor vehicles	(80,094)	(37,209)
	<hr/>	<hr/>
Interest expense (included in finance cost)	(52,772)	(26,981)
	<hr/>	<hr/>
Future minimum lease payments as at 31 December:		
No later than one year	191,103	196,207
Later than one year and not later than five years	908,482	1,053,638
	<hr/>	<hr/>
Total gross payments	1,099,585	1,249,845
	<hr/>	<hr/>
Impact of finance expenses	(154,772)	(196,004)
	<hr/>	<hr/>
	944,813	1,053,841
	<hr/>	<hr/>

The Company initially applied IFRS 16 at 1 April 2019.

9. STOCKS

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Raw materials and consumables	1,453,673	822,422
Work in progress	596,496	977,927
	<hr/>	<hr/>
	2,050,169	1,800,349
	<hr/>	<hr/>

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2020

10. DEBTORS

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Amounts due within one year:		
Trade debtors and retentions	3,280,056	2,641,814
Amounts due on construction contracts	980,572	635,782
Amounts owed by group undertakings	208,458	166,372
Prepayments	150,579	86,380
Corporation tax asset	166,994	82,395
Other debtors	800	-
	<hr/> 4,787,459	<hr/> 3,612,743

No debtors are due in more than one year

Amounts owed by group undertakings are interest free and repayable on demand.

11. CREDITORS

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Amounts due within one year:		
Trade creditors	2,185,787	1,216,092
Amounts owed by group undertakings	229,097	140,027
Bank overdraft	-	53,059
Lease liabilities	175,547	184,919
Corporation tax	-	-
Other taxes and social security	951,235	567,292
Other creditors	38,972	45,756
Accruals and deferred income	294,497	477,066
	<hr/> 3,875,135	<hr/> 2,684,211
Amounts falling due after more than one year:		
Lease liabilities	769,266	868,922
Other creditors	3,362	8,778
	<hr/> 772,628	<hr/> 877,700
	<hr/> 4,647,763	<hr/> 3,561,911

Amounts owed to group undertakings are interest free and repayable on demand.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2020

12. PROVISIONS FOR LIABILITIES

	Employees and property £	Product warranties £	Total £
At 1 April 2019	-	208,647	208,647
(Credited)/charged to the profit and loss account	112,696	206,311	319,007
At 31 December 2019	112,696	414,958	527,654
(Credited)/Charged to the profit and loss account	(74,000)	(112,005)	(186,005)
At 31 December 2020	38,696	302,953	341,649

Employee and property

Employee provisions relate to potential claims in relation to the employment of employees from present or past employees and from HMRC, as no claims have been made and the date has passed for a claim to be made these have been released in the year. Property provisions relate to dilapidation provisions that are a requirement of the lease on the Portland property.

Product warranties

Provision is made for costs associated with potential product warranty claims. Whilst warranty periods are typically for one year, the duration of contracts is such that any cost associated with warranty claims may occur in a different period to that in which the related revenue was recognised. To address this issue, a provision is calculated as a percentage of sales over a five-year period, based on the experience of claims over that period, less warranty costs incurred to date in relation to the same five-year period. Additional provision is made for any additional contractual liability as such liability arises or becomes probable.

13. DEFERRED TAX

	Deferred tax liability £	Deferred tax asset £	Total £
At 1 April 2019	344,915	-	344,915
(Credited)/charged to the profit and loss account	(126,471)	-	(126,471)
At 31 December 2019	218,444	-	218,444
(Credited)/charged to the profit and loss account	(16,492)	(6,381)	(22,873)
At 31 December 2020	201,952	(6,381)	195,571

Deferred tax

Deferred tax relates to depreciation in excess of capital allowances; short-term timing differences and losses and other deductions (see note 7). All movements are charged/credited to the profit and loss account.

M. & N. ELECTRICAL AND MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2020

14. CALLED UP SHARE CAPITAL

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Issued and fully paid		
500 Ordinary shares of £1 each	500	500

15. RESERVES

Capital redemption reserve

The capital redemption reserve account includes the monies received from redemption of company shares.

Retained Earnings

Retained Earnings represents cumulative profits or losses net of dividends paid and other adjustments

16. FINANCIAL INSTRUMENTS

At the year end the company has neither financial assets or financial liabilities measured at fair value through profit or loss (FVTPL) nor those measured at fair value through other comprehensive income (FVOCI).

17. CASH FLOW STATEMENT

As a wholly-owned subsidiary of a UK registered company, M. & N. Electrical and Mechanical Services Limited has taken advantage of the exemption from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Turner International Holdco Limited group financial statements.

18. PENSION SCHEMES

The group operates a defined contribution pension scheme and contributes to personal pension plans for all qualifying employees. The assets of the scheme are held in separate trustee-administered funds. Contributions made during the year amounted to £211,678 (2019: £105,642). There were unpaid pension contributions of £33,585 (2019: £19,487) at the year end.

19. RELATED PARTY TRANSACTIONS

In accordance with FRS101 transactions with other 100% undertakings within the Turner International Holdco Limited group have not been disclosed in these financial statements.

20. ULTIMATE PARENT COMPANY AND CONTROLLING COMPANY

The immediate parent company is Vexamus Limited and the ultimate parent company and controlling company is considered to be Turner International Holdco Limited, a company incorporated and registered in England and Wales, due to its 76.6% ownership of share capital.

The largest in which the results of the group are consolidated is that headed by Turner International Holdco Limited. The smallest group in which the results of the group are consolidated is that headed by Turner International Midco 2 Limited. The consolidated accounts of this and the groups parent are available to the public and can be obtained from the registered office; 6th Floor, 125 London Wall, London, EC2Y 5AS.