Turner International Holdco Limited

Annual report and consolidated
financial statements
Registered number 11157408
For the year ended 31 December 2019

Contents

Strategic report

Principal activities

The principal activity of the Company is that of a holding company and the principal activity of the Group is that of developing innovative solutions to global water management challenges.

Business review

The Group is a recognised leader, combining water management technology and applications expertise to provide best-in-class solutions, sustain competitive advantage and generate premium margins. The end markets themselves typically have high barriers to entry and are supported by long-term resilient growth drivers.

During the year the Group acquired the entire share capital of M&N Electrical and Mechanical Engineering Limited (M&N). The acquisition brings together our wastewater grit removal and screening technological expertise and M&N's exceptional customer support capabilities to create the UK's leading provider of solutions for the wastewater treatment plant headworks. With around 140 dedicated service professionals operating from five regional offices across the UK, M&N is the country's largest provider of screen servicing and maintenance, delivering critical support to wastewater treatment plant owners and operators 24 hours a day, 365 days a year. Delivering servicing, maintenance, refurbishment, equipment rental, parts and spares, as well as new equipment sales, the M&N team expands and develops our services offering in the UK, providing water companies with greater opportunities to improve operational efficiencies and extend the lifetimes of their key treatment assets. Connected to this acquisition the Group took the decision to discontinue UK distribution activity with one of its partners in its European wastewater business.

Capabilities

Help manage water quantity

Deliver environmentally sympathetic engineered solutions that monitor, control and regulate the flow of water, providing homes, businesses and key infrastructure with invaluable protection against the costly and damaging effects of floods and other surge events.

Help manage water quality

Deliver technologies that monitor and remove pollutants and contaminants from surface water, wastewater and industrial process water, protecting downstream systems from damaging wear and abrasion, preventing contaminants from clogging essential processes and ultimately protecting our environment from the harmful effects of organic and inorganic pollutants.

Provide support and consultancy services

Provide a range of customer-focused expertise and support before, during and after system installation to ensure that our solutions are designed to deliver performance that meets customer needs, that our systems are installed swiftly, correctly and on schedule, and that our technology continues to operate optimally throughout its lifetime; provide stand-alone consultancy projects to solve customer-specific water management challenges.

Revenue was 20% higher than in the prior period reflecting a full year's reporting in 2019 versus the prior year's abbreviated period together with the addition of £7.1m of additional revenue contributed by the in-year acquisition of M&N. Revenue was slightly down against budget reflecting the decision early in the year to discontinue with one of its UK distribution agreements. EBITDA ahead of budget in part because of the application of IFRS 16 in the actual results the effect of which was not budgeted. On a like for like basis the Group EBITDA was in line with budget.

Net liabilities increased from £19.8m to £29.3m reflecting the net loss in the year, albeit within that loss are £16.1m of charges for depreciation and amortisation, £14.2m of which is directly related to the amortisation of intangible assets acquired shortly after incorporation. Recognising this, the Group capitalised £40m of debt to equity post the year end.

Strategic report *(continued)*

KPI's

Revenue	£57.5m (97% of budget)	2018: £47.7m (87% of budget)
EBITDA	£10.1m (104% of budget)	2018: £9.3m (95% of budget)
ROCE*	9%	2018: 12%

* Before exceptional costs and amortisation

Revenue was slightly behind budget, but strong margins and management of administrative cost resulted in EBITDA ahead of budget by 4%. The ROCE at 9% was on target.

In addition to financial KPIs the Group monitors product quality closely, however, as no in-house manufacturing or fabrication takes place no formal KPIs are recorded.
As part of its commitment to the UN Global Compact and in particular its environmental principles the Group monitors itself and its environmental policy against the ISO14001 standard, and all the Group's operations are covered by this accreditation. By implementing ISO 14001 we aim to build on the many positive contributions we already make by measuring, controlling and, where practical, reducing our environmental impacts as well as better structuring our approach to waste minimisation.

Future Developments

In the first quarter of 2020 the world was impacted by the Covid-19 global pandemic. As a result of this, and to mitigate the effects of reduced turnover as a direct consequence, the Group put on hold all capital expenditure and product development activity. Whilst trading has been lower in terms of turnover, the mitigating actions have seen EBITDA continue to be delivered in line with the plan, with cash performance being well ahead of budget.

Research & Development

Activity on research and development included work on modifying the Group's Up-flow filter technology and the introduction of product lines providing data to the end user. Field and lab testing has also been carried out on the Group's BioInfiltrator product with a submission made to NJCAT to gain certification in the New Jersey region. In early 2020 most R&D activity was paused in reaction to the global pandemic.

Stakeholder considerations (Section 172(1) Statement)

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, which is reported for the first time, explains how the Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to the company, and the level of information disclosed is consistent with the size and the complexity of the business.

Strategic report *(continued)*

General confirmation of Directors' duties

The Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Manual of Authority sets out the delegation and approval process across the broader business.

When making decisions, each Director ensures that he acts in the way he considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including the navigation of the challenges of the water management industry with particular regard to the company's social responsibility and the impact of our activities both on stakeholders and on society.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and joint-venture partners. The business seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships and this alongside other standards are reviewed and approved by the Board periodically. The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals.

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from the Projects & Technology function (on suppliers and joint-venture partners related to items such as project updates and supplier contract management topics) to information provided by the businesses (on customers and joint-venture partners related to, for example, business strategies, projects and investment or divestment proposals).

S172(1) (D) "The impact of the company's operations on the community and the environment"

Being a water management business, our products and services are by their nature designed to clean and protect the environment and have significant positive impact on the environment through both the management of water flow and the capture and cleaning of water-born contaminants

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

The business aims to meet the world's growing need for more and cleaner water management solutions in ways which are economically, environmentally and socially responsible. The Board periodically reviews and approves clear frameworks, such as the employee Code of Conduct, and its Modern Slavery Statements, to ensure that its high standards are maintained both within the businesses and the business relationships we maintain. This complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that group companies act in ways that promote high standards of business conduct.

Strategic report *(continued)*

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Culture

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Board has established honesty, integrity and respect for people as core values. The General Business Principles, Code of Conduct, and Code of Ethics help everyone in the group act in line with these values and comply with relevant laws and regulations. The group Commitment and Policy on Health, Safety, Security, Environment & Social Performance applies across the group and is designed to help protect people and the environment. We relentlessly pursue Goal Zero, our safety goal to achieve no harm across all our operations. We also strive to maintain a diverse and inclusive culture.

The Board considers the Employee Survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to the group. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen company culture and values.

Stakeholder engagement (including employee engagement)

The Board recognises the important role the business has to play in society and is deeply committed to public collaboration and stakeholder engagement. This commitment is at the heart of the businesses' strategic ambitions. The Board strongly believes that it will only succeed by working with customers, suppliers, business partners, investors and other stakeholders. Working together is critical, particularly at a time when society, including businesses, governments and consumers, faces issues as complex and challenging as climate change.

We continue to build on our long track record of working with others, such as investors, industry and trade groups, universities and in some instances our competitors through our joint-venture operations or industry bodies. We believe that working together and sharing knowledge and experience with others offers us greater insight into our business. We also appreciate our long-term relationships with our investors and acknowledge the positive impact of ongoing engagement and dialogue.

Principal decisions

In the table below, we outline some of the principal decisions made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

To remain concise, we have categorised our key stakeholders into five groups. Where appropriate, each group is considered to include both current and potential stakeholders.

a. Investors and debt holders

b. Employees/Workforce

c. Communities

d. Customers

e. Suppliers/Strategic Partners

Strategic report *(continued)*

Principal decisions

We define principal decisions taken by the Board as those decisions in 2019 that are of a strategic nature and that are significant to any of our key stakeholder groups.

How were stakeholders considered

We describe how regard was given to likely long-term consequences of the decision including how stakeholders were considered during the decision-making process.

What was the outcome

We describe which accommodations and mitigations were made, if any, and how Directors have considered different interests and the factors taken into account.

Acquisition of M&N Electrical and Mechanical

During the course of the year the Board discussed the acquisition of a UK based water related business. During those discussions it engaged in a diligence process and using the information from that together with its own enquiries made and representations from Management, approved the acquisition which completed in July 2019.

How were stakeholders considered

Leading up to and at the time of the decision the business recognised that support from shareholders and lenders was intrinsic to a successful transaction.

What was the outcome

The shareholders, lenders and management were involved in regular discussions with the Board about the proposed investment and ultimately agreed that it was appropriate in respect of both its valuation and its strategic alignment with the group.

Replacement of the CEO

In the later part of the year the Board replaced the Chief Executive Officer of the group

How were stakeholders considered

Consideration was given to shareholders, lenders and employees. Shareholders were consulted prior to the decision. Employees and Lenders were advised post decision. Business risk was discussed at shareholder and lender level

What was the outcome

Following consideration with shareholders and lenders the CEO was replaced

Strategic report *(continued)*

Head of Americas

In the later part of the year the Board restructured the Americas business and removed the Head of Americas role

How were stakeholders considered

Consideration was given to the shareholders via a number of meetings. Employees and Lenders were considered and informed post decision

What was the outcome

Following consideration, the Head of Americas role was removed

Discontinued Operations

During the year the group decided to discontinue its relationship with a distribution partner in its European Wastewater business.

How were stakeholders considered

The decision was made in conjunction with the acquisition of M&N Electrical and Mechanical, described above, as part of a long term strategy to focus on its core capabilities. Leading up to and at the time of the decision the business engaged with shareholders to ensure alignment of understanding and expectations.

What was the outcome

Discussions between shareholders and management concluded that the strategic aims of the business would be best served by discontinuing the distribution agreement.

Strategic report *(continued)*

Settlement Agreement

During the year the business entered into a dispute under the terms of a 2018 Share Purchase Agreement. The dispute was subject to an arbitration which went in favour of the business in the sum of £5.2m. However, after extensive enquiries it was determined that the counterparty did not have sufficient funds to settle the claim in full. The Board instructed the business to engage in a negotiated settlement resulting in recovery of £2.2m and closure of the dispute.

How were stakeholders considered

It was imperative that the board had shareholder approval to enter into the settlement as transactions of this nature are of interest to those shareholders and form part of the terms of the shareholder's agreement

What was the outcome

The Board engaged with the shareholders who delegated authority back to Management to engage in the necessary negotiations. The agreed proposal was put before both the Board and the shareholders before it was executed.

Risk management

Risk management is a high priority. Processes are designed to identify, mitigate and manage risk. The Board of Directors are ultimately responsible for risk management. The principal risks facing the business, and the controls in place to mitigate these, are as follows:

Currency risk

The Group has operations in the United States of America, the functional currency of which is USD; the Group therefore does have exposure to currency fluctuations which it monitors on a regular basis. The Group undertakes certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. Where cost-effective, exchange rate exposures are managed utilising forward foreign exchange contracts. In all other cases the Group aims, as far as possible, to balance assets and liabilities held in foreign currencies so as to provide a measure of informal hedging.

Competitive risk

The business continues to innovate, develop and enhance its product and service portfolio, through its research, development, support and consultancy teams in order to retain and grow its customer base.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral (e.g. deposits), where appropriate, as a means of mitigating the risk of financial loss from defaults. The information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major customers. IFRS 13 requires that own credit risk is reflected in the fair value measurement of a financial liability when the effect of non-performance risk is considered. The Group's main financial liabilities are its financing liabilities and trade creditors. Having performed an assessment of the Group's own credit risk, no adjustment to the Group's financial liabilities is considered necessary.

Trade receivables consist of a large number of customers, spread across different industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate and available, credit insurance cover is purchased.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any deposits obtained.

Strategic report *(continued)*

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, financial covenants on borrowing facilities, and matching the maturity profiles of financial assets and liabilities.

Interest rate risk

The Group's financial instruments comprise bank loans, finance leases and various items such as trade debtors and trade creditors that arise directly from its operations. The purpose of the instruments is to raise finance for the Group's activities. The interest rates on the bank borrowings are subject to periodic internal review and market comparison, whilst the exposure to fluctuations in interest rates on other liabilities is not currently actively managed given the current level of interest rates and the amounts of the borrowings.

Brexit

The Group has carried out impact assessments relating to various Brexit scenarios. Given the limited supply chain and customers in EU Countries the Directors do not believe there are any material risks to the business other than the Macro economic environment.

Outlook

The Group operates in the global waste and storm water markets which have good macro-economic drivers with many growth opportunities over the next 5 years. The Group is focused on driving growth from new product development, expansion into new geographies and extending our service offering to customers.

The global market trends/factors driving Group performance include urbanisation/population growth, climate/regulation changes, energy efficiency/asset life and construction/infrastructure investment all of which currently have stable or positive trends across our various markets.

In addition to the macro market drivers the Group's history and continued investment at the forefront of product and service innovation that both support and change the landscape of the markets and customers we serve underpins our market position and growth within current and developing geographies.

The Group has a footprint in overseas markets including China, Australasia and the Middle East and all of these markets have good growth potential driven by the macro market drivers noted earlier. In particular the joint venture in China is an important strategy and provides the Group with an established local entry point into one of the world's highest potential water markets.

The Group also continues to invest in its core operational systems and business processes to drive greater efficiency and enable platforms to support profitable organic growth and integration of acquisition opportunities.

The global pandemic which spread across the globe from the start of 2020 had a significant impact on activity in the UK and China but an early response to the downturn in those key markets saw the group cut back on planned recruitment, travel, marketing and discretionary spend which mitigated the lost contribution. Throughout the pandemic the Group has closely monitored its trading performance both in terms of profitability and cashflows and has taken appropriate and proportional measures to react to the market conditions to ensure that risks around going concern were mitigated. As outlined in note 1 the directors are satisfied that the business remains a going concern. At the mid-point of 2020 group management information reported EBITDA was ahead of budget. The Americas business remained largely unaffected as measured against budget by the pandemic and although Europe has seen an impacted it has been minimal and mitigated by the reduction in overhead spend.

Strategic report *(continued)*

Post Balance Sheet Events

The Covid-19 pandemic in 2020 has impacted markets in which the group (or company) operates and the wider economy around the world. The group (or company) considers the outbreak to be a non-adjusting post balance sheet event as of 31 December 2019.

Approved by the board of directors and signed on its behalf

Adrian Jeffery
Director

28 September 2020

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors

The directors who served during the year were as follows:

Ian Venter

Adrian Jeffery

Coral Bidel

Results and dividends

The results for the year are set out in the Consolidated Income Statement on page 16.

The directors do not recommend the payment of a final dividend.

Payments to suppliers

It is the Group's policy to agree terms and conditions for its business transactions with its suppliers. The divisions seek to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The trade creditors of the Group at 31 December 2019 represent 77 days (2018: 43 days) as a proportion of the total amount invoiced by suppliers during the year.

Employment policies

The Group's business is founded upon the talent, commitment and enthusiasm of our employees. The Group believes that, in order to deliver excellent products and services to its customers, it needs to provide a safe, stimulating and supportive environment for its people.

All employees participate in a performance management programme in which each employee receives detailed feedback from their line manager, and this, together with a review of progress against agreed goals and objectives, is used to assess performance and to set clear objectives and development plans for the following year, closely aligned with the Group's strategic priorities and values.

The Group uses an objectively assessed job evaluation process to ensure consistency and equity between roles. Elements of every role are assessed by looking at common factors including education, qualification requirements, proven ability and responsibilities. The results, together with periodic external benchmarking of salaries, are used to make sure that the Group provides a fair and competitive salary and benefits package to every employee, regardless of staff level or location.

Employees also participate in our business success through the Group's profit-related annual bonus plan, which can typically provide a bonus of 10% of basic salary for meeting performance targets.

The Group is an equal opportunity employer. The Group's policy is to provide equal opportunities for everyone in respect of recruitment, benefits, training, placement and advancement, respecting cultural diversity, encouraging inclusiveness and recognising the value and benefits of a diverse workforce. The Group's commitment to equal opportunity ensures that all employees, regardless of race, gender, nationality, age, disability, sexual orientation, religion and background, have the opportunity to develop to their full potentials.

This policy is enshrined within the Employee Handbook and all new employees are fully briefed on employment policies as part of their induction training.

The Group values open and constructive communication in our relationships with employees. The Group holds quarterly employee update meetings and encourages open working relationships between employees and their managers on a day-to-day basis. The intranet '@Hydro' is used extensively for communications, showcasing a broad range of activities from across the business and promoting cross-organisational knowledge sharing and cooperation.

Directors' report *(continued)*

Disclosure of information to 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.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the board of directors and signed on its behalf

Adrian Jeffery
Director

28 September 2020

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Annual Report and the group and company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that its 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 the members of Turner International Holdco Limited

Opinion

We have audited the financial statements of Turner International Holdco Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Balance Sheet and Company 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 their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent 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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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.

Independent auditor's report to the members of Turner International Holdco Limited *(continued)*

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Turner International Holdco Limited *(continued)*

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Sarah Joannidi (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol, UK
29 September 2020

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

Consolidated Income Statement
for the year ended 31 December 2019

	Note	For the year ended 31 December 2019	For the period ended 31 December 2018
		£000	**£000**
Revenue	2	57,546	47,687
Cost of Sales		(29,923)	(23,248)
Gross Profit		27,623	24,439
Administrative expenses		(17,551)	(15,124)
Operating profit before exceptional acquisition or disposal related costs, depreciation and amortisation of intangibles		10,072	9,315
Amortisation of internally generated intangibles and depreciation costs		(1,864)	(621)
Exceptional acquisition or disposal related costs	4	(23)	(10,150)
Amortisation of acquired intangibles		(14,200)	(16,944)
Operating loss	3	(6,015)	(18,400)
Net finance costs	7	(14,767)	(11,742)
Loss from continuing operations, before tax		(20,782)	(30,142)
Loss on discontinued operation, net of tax	5	(627)	-
Loss before tax		(21,409)	(30,142)
Taxation	8	3,250	2,790
Loss for the year/period		**(18,159)**	**(27,352)**
Attributable to:			
Equity holders of the parent		(17,958)	(27,466)
Non-controlling interest		(201)	114
		(18,159)	**(27,352)**

The notes on pages 22 to 55 form an integral part of the financial statements. All results relate to continuing operations.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	**For the year ended 31 December 2019**	**For the period ended 31 December 2018**
			£000
Loss for the year/period		(18,159)	(27,352)
Items that are or may be reclassified to profit and loss:			
Currency translation differences		(245)	510
Total comprehensive expense for the year/period		**(18,404)**	**(26,842)**
Attributable to:			
Equity holders of the parent		(18,203)	(26,956)
Non-controlling interest		(201)	114
		(18,404)	**(26,842)**

The notes on pages 22 to 55 form an integral part of the financial statements.

Consolidated Balance Sheet
at 31 December 2019

	Note	**2019** **£000**	**2018** **£000**
Non-current assets			
Property, plant and equipment	*9*	5,269	1,707
Intangible assets	*10*	74,772	81,532
Deferred tax asset	*11*	732	301
Trade receivables	*13*	533	243
		81,306	**83,783**
Current Assets			
Inventories	*12*	4,268	2,624
Trade and other receivables	*13*	20,853	16,318
Current tax assets		994	511
Cash and cash equivalents	*14*	4,020	4,701
		30,135	**24,154**
Total Assets		**111,441**	**107,937**
Current Liabilities			
Other interest-bearing loans and borrowings	*15*	(6,026)	(5,699)
Trade and other payables	*17*	(15,390)	(15,695)
Tax payable		(592)	(656)
Provisions	*18*	(2,933)	(3,016)
		(24,941)	**(25,066)**
Non-current liabilities			
Other interest-bearing loans and borrowings	*15*	(61,408)	(54,720)
Preference shares classed as debt	*15*	(39,580)	(32.632)
Other payables	*17*	(17,235)	(7,854)
Deferred tax liabilities	*11*	(8,597)	(10,434)
Total non- current liabilities		**(126,820)**	**(105,640)**
Total Liabilities		**(151,761)**	**(130,706)**
Net Liabilities		**(40,320)**	**(22,769)**

Consolidated Balance Sheet *(continued)*
at 31 December 2019

	Note	2019	2018
		£000	**£000**
Equity attributable to equity holders of the parent			
Share capital	19	4,053	3,343
Retained earnings	21	(45,159)	(26,956)
		(41,106)	**(23,613)**
Non-controlling interest	20	786	844
Total equity		**(40,320)**	**(22,769)**

The notes on pages 22 to 55 form an integral part of the financial statements.

These financial statements were approved by the board of directors and authorised for issue on 28 September 2020 and were signed on its behalf by:

Adrian Jeffery
Director

Company registered number: 11157408

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Note	2019	2018
		£000	**£000**
Cash flows from operating activities			
Loss for the year/period		(18,159)	(27,352)
Adjustments for:			
Depreciation, amortisation, impairment	3	16,064	17,565
Loss on sale of fixed assets		46	-
Financial expense	7	14,767	11,742
Taxation	8	(3,250)	(2,790)
		9,468	**(835)**
Increase in trade and other receivables		(1,868)	(1,981)
Decrease in trade and other payables		(5,183)	(1,068)
Decrease/(Increase) in inventories		115	(90)
		2,532	**(3,974)**
Tax paid		(764)	(837)
Interest paid		(5,670)	(2,884)
Net cash from operating activities		**(3,902)**	**(7,695)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	28	(7,143)	(54,180)
Acquisition of property, plant and equipment	9	(1,104)	(756)
Acquisition of development assets, software and other intangibles	10	(1,922)	(2,180)
Net cash from investing activities		**(10,169)**	**(57,116)**
Cash flows from financing activities			
Proceeds from the issue of intercompany debt		7,800	36,605
Proceeds from issue of debt		6,756	56,669
Interest paid on finance leases		(89)	-
Repayment of borrowings		(936)	(23,694)
Net cash from financing activities		**13,531**	**69,580**
Net (decrease)/increase in cash and cash equivalents		(540)	4,769
Cash and cash equivalents at beginning of year		4,701	-
Effect of exchange rate fluctuations on cash held		(141)	(68)
Cash and cash equivalents at end of year/period	14	**4,020**	**4,701**

The notes on pages 22 to 55 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Retained earnings £000	Non-controlling interest £000	Total £000
At incorporation (18 January 2018)	-	-	-	-
Loss for the period	-	(27,466)	114	(27,352)
Transactions with owners:				
Share capital issued	3,343	-	730	4,073
Other comprehensive income:				
Currency translation differences	-	510	-	510
Balance at 31 December 2018	**3,343**	**(26,956)**	**844**	**(22,769)**
Loss for the year	-	(17,958)	(201)	(18,159)
Transactions with owners:				
Share capital issued	710	-	143	853
Other comprehensive income:				
Currency translation differences	-	(245)	-	(245)
Balance at 31 December 2019	**4,053**	**(45,159)**	**786**	**(40,320)**

The notes on pages 22 to 55 form an integral part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Turner International Holdco Limited (the "Company") is a private company, limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006.

The financial statements have been prepared in accordance with IFRSs adopted by the European Union, and therefore the Group financial statements comply with Article 4 of the EU IAS Regulations and its interpretation issued by the International Accounting Standards Board. Where applicable the Parent Company and subsidiaries have elected to prepare their individual financial statements under locally applicable Generally Accepted Accounting Practices (Local GAAP). The Functional currency of Turner International Holdco Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

New accounting standards and interpretations
i. IFRS 16 Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases by lessors and lessees. The standard requires lessees to bring all leases within the scope of IFRS 16 on balance sheet, with exception of short-term leases of less than 12 months and leases of low value assets. Details of the impact of the IFRS 16 Leases are given in note 29 below.

ii. Other amendments
A number of amended standards became applicable for the current reporting year. The application of these amendments has not had any material impact on the disclosures, net liabilities or results of the Group.

New standards and interpretations not yet adopted
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:
i. IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
ii. IFRS 3 Business Combinations (Amendment – Definition of Business)
iii. Revised Conceptual Framework for Financial Reporting

Turner International Holdco Limited is currently assessing the impact of these new accounting standards and amendments.

1.1 Going concern

The Directors have, at the time of approving the financial statements, and after due consideration, concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Particular consideration has been given to the effect and uncertainties of the global pandemic and the ensuing lockdown in the various geographies where the Group trades. As the seriousness of the pandemic unfolded during March 2020 the Directors implemented divisional update reporting twice weekly initially in order to better understand the effects on the ability to fulfil revenue generating activity in each market, the effects on the supply chain and order intake as a key recovery indicator together with considering what opportunities may present themselves given the material uncertainties that the pandemic by its nature cast over the entire commercial world. These twice weekly meetings helped the management team and the Directors keep abreast of the rapidly changing environment and provided a forum for quick collective response and communication across the group.

In addition, a financial model was built to scenario plan what the effect of multiple stresses on the business could be with close focus on cash and the Group's leverage covenant. The model played out scenarios by business unit of lost revenues in each geographical market by sector in addition to stress testing the effect on both cash and the Group's leverage should debtors receipts fail to perform. It became apparent during the regular refresh of the financial model that whilst revenues were impacted in the relatively small Chinese market and in the UK Stormwater business, the revenue streams in the US continued to outperform budget. Particular focus was placed on cash management and it quickly became apparent that debtors were continuing remit in line with terms and continue to do so as at the date of this report. The Group has not had a need to refer any debtors to the Group's credit insurers and has no reason to believe that this is likely in the near term.

Notes *(continued)*

1 Accounting policies *(continued)*

Concurrent to the scenario planning the business engaged in a reforecast across the Group and implemented a series of mitigating measures to protect both cash and profitability. Through these activities and included in the reforecast the Group predicted a full year downturn in sales revenue of 17% with the majority effect being in the UK stormwater business and with a Groupwide loss of gross margin of £7.1m. The business reacted to this with a significant scale back of overhead and capital spend across all areas of the business and the furloughing of a significant number of staff in the UK, where demand was temporarily reduced or roles could not be fulfilled due to government restrictions, resulting in a reduction in overhead of £3.7m. The result of this reforecast predicted a full year reduction of £3.4m to EBITDA. By June 2020 however it had become apparent that the anticipated effect on the UK construction market and thus the UK Stormwater business had been overstated and that as a result of the better than forecast trading, combined with the mitigating actions, the Group's EBITDA performance remained in line with budget. The financial scenario model continued to be refreshed with the latest information being actualised each month showing an improving last twelve months EBITDA trend. The scenarios around debtor receipt delays did not present themselves.

Order intake for the first half of 2020 is £29.4m. On a like for like basis this is £2.3m higher than the first half of 2019. Order coverage as at 30th June 2020 was £30.7m, 43% higher than the £21.4m at the same time last year with £8.8m of order coverage already in place for 2021 and £21.9m of order cover for the remainder of 2020. In June 2020 the American Stormwater business had its highest ever order intake in a single month of £2.6m aiding the group to an in month order intake of £7.7m

The gross debt facilities of the Group as at 31st December 2019 are set out below. The Group's leverage covenant is based on net debt which deducts cash and cash equivalents from the gross debt and adds back any non-contingent liabilities. Cash and cash equivalents at the 31st December 2019 were £3.7m with one contingent liability of £150k. Following the balance sheet date in May 2020 an additional £5m was drawn off the revolving credit facility and the B1 senior debt of $4.2m (£3.2m) repaid in full. As part of this debt restructuring the revolving credit facility limit was raised from £12.5m to £15.9

	Currency	Nominal interest rate	Year of maturity	Face value 2019 £000	Carrying amount 2019 £000
Secured					
USD Senior debt B1	$	LIBOR + 3%	2024	3,171	3,171
USD Senior debt B2	$	LIBOR + 7%	2025	39,645	39,645
GBP Senior debt	£	LIBOR + 6.75%	2025	10,200	10,200
Capital fund facility	£	LIBOR +6.75	2024	6,757	6,757
Revolving credit facility	£	LIBOR + 3%	2024	3,786	3,786
Bank overdraft	£	LIBOR + 3%	2024	1,592	1,592
Finance leases	£	4.35%	Various to 2023	2,254	2,254
Finance leases	$	5.33%	2022	16	16
Other loan	£	1.55%	2022	13	13
				67,434	**67,434**

At the 30th June 2020 cash held was £9.6m, aided by £1.2m in cash loans from the US Payroll Protection Programme which are expected to be forgiven under the terms of those loans and with further headroom in the Group's revolving facility of £7.1m.

The net liabilities on the consolidated balance sheet to this report total (£40.3m). Of this £39.6m relates to preference shares, the majority of the preference shares are owned by Agilitas 2015 Private Equity Fund LP, who have confirmed they have no intention of calling the debt within the 12 months of the signing of these accounts.

Consequently, the Directors consider the group to be in a position to meet all of its commitments under the borrowing facilities for at least the next twelve months.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries for the year to 31 December 2019. The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition until the effective date of disposal. Intra-Group balances and any unrealised gains or losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

1.3 Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group's accounting policy for Goodwill is explained below under Intangible Assets.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

1.4 Revenue

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 Group 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.

Contracts revenue is recognised when the performance obligation as detailed in the contract with the customer has been completed. Where this performance obligation has been completed in accordance with the contract is also assessed by the customer or quantity surveyor their assessment dictates the revenue recognition. Revenue from contract variations are accounted for as a separate contract unless at early stages of project before any billing has occurred. Negative variation orders are applied to the transactions price when they occur.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Operating loss

Operating loss is stated before investment income and finance costs.

1.6 Foreign currencies

Items included in the financial statements of each of the Group's subsidiary undertakings are measured using the currency of the primary economic environment in which the subsidiary undertaking operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the presentational currency of the Group and the functional currency of the Parent Company.

The trading results of overseas subsidiary undertakings are translated into Sterling using monthly rates of exchange ruling during the relevant financial period.

The balance sheets of overseas subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the period end.

Exchange differences arising between the translation into Sterling of the net assets of those subsidiary undertakings at rates ruling at the beginning and end of the year are recognised in the currency translation reserve.

Foreign currency transactions entered into by the parent company during the year are translated into Sterling at the rates of exchange ruling on the dates of the transaction (or an average rate). Monetary assets and liabilities of the parent company that are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are taken to the income statement.

1.7 Intangible Assets

Goodwill

Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill arising on the acquisition of subsidiary undertakings is included in intangible assets.

Goodwill is stated at cost or deemed cost less any impairment losses. The carrying value of goodwill is reviewed at each balance sheet date and is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level within the Group at which the associated goodwill is monitored for management purposes. An impairment loss is recognised whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

More information about cash-generating units is given in note 10 to the accounts, where there is more explanation about how the impairment review is carried out.

Patents and trademarks

The cost of patents and trademarks, where it is probable that there will be future economic benefits and the cost can be reliably measured, are capitalised. This includes both purchased patents and trademarks, and the direct costs of application associated with internally generated patents and trademarks. Such patent and trademark costs are valued at cost on acquisition and amortisation is provided so as to write-off the intangible fixed assets by equal annual instalments over a period of five years. Provision is made for any impairment. The costs of maintaining patents and trademarks on the Group's products are expensed as such items occur.

Development assets

In accordance with IAS 38 – Intangible Assets, expenditure incurred on research and development, excluding known recoverable amounts on contracts, is distinguished as relating either to a research phase or to a development phase.

All research phase expenditure is charged to the income statement. Development expenditure is capitalised as an internally generated intangible asset only if it meets strict criteria relating, in particular, to technical feasibility and the generation of future economic benefits.

Expenditure capitalised is amortised over five years, from the point it enters into service, on a straight-line basis. The intangible assets are assessed for impairment biannually or earlier if there are indications of impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

Computer software

Computer software, including any internally generated computer software, that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset, and is carried at cost less accumulated amortisation (including any impairment losses). Amortisation is calculated using the straight-line method so as to charge the cost of the computer software to the income statement over its estimated useful life of between two and five years.

Certifications

Expenditure on gaining certifications that generate future economic benefits are capitalised and amortised over three years, from the point the certification becomes active, on a straight-line basis. Certifications are assessed for impairment annually or earlier if there are indications of impairment.

Acquired intangibles

Intangibles purchased as part of acquisitions of businesses are specifically identified and capitalised separately from goodwill and amortised over their estimated economic lives on a straight-line basis. Acquired intangibles are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal. The economic lives and categories of acquired intangibles are given in note 10.

1.8 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives are as follows:

Computer hardware	3 to 4 years
Motor vehicles	4 years
Fixtures, fittings, plant and equipment	2 to 5 years
Leasehold improvements	Length of lease

Right-of-Use assets have been capitalised as a result of the adoption of IFRS 16 – details of the depreciation applied to these is given in the Leases accounting policy.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Leases

IFRS 16 has been applied from the 1st January 2019 and has resulted in the introduction of Right-of-Use (ROU) assets, and lease liabilities, for more detail see note 29

As Lessee

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 29.

As explained in the new standards section of note 1, the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 16 and 29. Prior to this change, leases of property, vehicles and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases and where a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have been transferred to the Group, are capitalised in the balance sheet at their fair value and depreciated over their useful lives. The capital elements of future obligations under finance leases are included in liabilities in the balance sheet and analysed between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the income statement over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method.

As Lessor

The Group enters into agreements for the hire of plant and equipment to customers. Rentals receivable under hire agreements, which are deemed short-term leases, are included in revenue on a straight-line basis.

The Group has an agreement to sub-lease property. Rentals received under the sub-lease, which is deemed a short-term lease as it finishes in early 2020, are included in revenue on a straight-line basis. Receipts under the sublease in the year were £70,000 (2018: £70,000)

1.10 Inventories

Inventory and work in progress are valued at the lower of cost and net realisable value on a first-in, first-out basis. Cost comprises direct materials and, where applicable, other direct costs such as carriage and delivery. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Taxation

The tax charge on the profit or loss for the year comprises current and deferred tax.

Current tax, including UK corporation tax, US corporation tax and other 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.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.12 Financial instruments

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

1.13 Financial assets

The Group has financial assets that are classified as either financial assets 'at FVTPL' or 'amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

1.14 Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. The Group does not currently have any financial assets classed as FVTPL.

1.15 Financial assets at amortised cost

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 rate method.

1.16 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 negatively impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 uncollectable, 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

1.19 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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

1.20 Financial liabilities at FVTPL

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and foreign currency options. Further details of the derivative financial instruments are disclosed in note 22 to the financial statements. These derivatives are not formally designated and effective as a hedging instrument.

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 the balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

1.21 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost, with interest expense recognised on an effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.22 Derecognition of financial liabilities

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

1.23 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they occur.

1.24 Pension costs

The Group contributes to the personal pension schemes of certain employees. The assets of such schemes are held separately from those of the Group. The pension costs charge as shown in note 6 represents contributions payable by the Group to these schemes.

1.25 Provisions (including warranty obligations)

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

Further details of provisions are given in note 18.

1.26 Share capital

The Company has one class of shares, ordinary shares, which are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Notes *(continued)*

2 Revenue

All of the Group's revenues were generated from the principal activities of the Group and the geographical analysis, by destination, is as follows:

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Americas and Canada	29,031	26,756
Europe	24,758	17,591
Rest of the World	3,757	3,340
	57,546	**47,687**

Analysis of the Group revenue by business class is as follows:

Products	41,091	37,763
Long-term contracts	763	3,290
Service	15,692	6,634
	57,546	**47,687**

	Contract assets 2019 £000	Contract liabilities 2019 £000	Contract assets 2018 £000	Contract liabilities 2018 £000
At incorporation/1 January	492	(1,428)	-	-
Acquired with acquisitions	103	(102)	-	-
Transfers in period from contract assets to trade receivables	(595)			
Amounts included in contract liabilities that was recognised as revenue during the period		1,276	-	-
Excess of revenue recognised over cash (or rights to cash) being recognised in the year	842	-	492	-
Cash received in advance of performance and not recognised as revenue during the period	-	(532)	-	(1,428)
At 31 December	842	(786)	492	(1,428)

Contract assets and contract liabilities are included within trade and other receivables and trade and other payables respectively on the face of the statement of financial position. They arise when the Group companies enter into contracts that can take a few years to complete, because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts.

Notes *(continued)*

3 Operating loss

Loss from operations has been arrived at after charging/(crediting)	*Note*	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Depreciation of property, plant and equipment	*9*	1,523	529
Amortisation of intangible assets	*10*	14,541	17,036
Inventories recognised as an expense		20,853	20,244
Foreign exchange (income)/expense		(6)	68
Product research (excluding capital and staff costs)		238	207
Exceptional acquisition/disposal related costs (see note 4)	*4*	23	10,150

Auditor's remuneration:

During the year the Group obtained the following services from the Company's auditors at costs as detailed below:

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Audit of these financial statements	6	5
Audit of financial statements of subsidiaries of the company	142	85
	148	**90**

Fees paid to the company's auditor, BDO LLP, and its associates for services other than the statutory audit of the Group and Company were as follows:

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Tax advice and compliance	34	55
Due diligence	18	48
	52	**103**

4 Acquisition and disposal related costs

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Acquisition related costs – Legal and professional fees	284	8,636
Acquisition related costs – Completion bonuses and additional resources	188	1,557
Other business acquisitions or pending	23	137
Deferred consideration true up	(472)	(180)
	23	**10,150**

These costs have been tracked as exceptional acquisition/disposal related costs as they arise from the change in ownership of the Group or are otherwise considered to be non-recurring and of sufficient size and significance to warrant separate disclosure.

Notes *(continued)*

5 Discontinued operations

On 1 April 2019 in preparation for the acquisition of M&N the Directors of the Company decided give notice of termination of a large distribution agreement in the UK and to discontinue this line of business. The discontinuation of this operation is presented as discontinued operations.

The result of the discontinued operations was determined as follows:

	For the year ended 31 December 2019 £000
Revenue	1,442
Cost of Sales	(1,100)
Gross profit	**342**
Administration expenses	(911)
Redundancy and related costs	(58)
Loss before tax	**(627)**

6 Employees and directors

The average number of persons employed by the group (including directors) during the year was as follows:

	Number of employees Year ended 31 December 2019 £000	**Number of employees Period ended 31 December 2018 £000**
Management	12	11
Administration	32	21
Marketing and technical	301	180
	345	**212**

The aggregate payroll costs of these persons were as follows:

	£000	**£000**
Wages and salaries	9,758	8,775
Social security costs	1,665	967
Other pension costs	627	548
	12,050	**10,290**

The Group was recharged £124,000 (2018: £245,000) for the services of directors in the year.

For details of related parties and key management remuneration see note 25.

Notes *(continued)*

7 Finance income and expense

Recognised in profit or loss	**The year ended 31 December 2019 £000**	**The period ended 31 December 2018 £000**
Interest on bank deposits	2	2
Other interest	2	-
Total finance income	**4**	**2**
Interest payable on bank borrowings	(5,670)	(4,340)
Interest on preference shares	(8,905)	(6,996)
On finance leases	(89)	-
Other interest	(4)	(7)
Unwinding of discount on contingent consideration	(103)	(401)
Total finance expense	**(14,771)**	**(11,744)**
Total finance income/(expense)	**(14,767)**	**(11,742)**

Notes *(continued)*

8 Taxation

Recognised in the income statement

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Current tax		
Current year	268	1,213
Adjustments in respect to prior periods	(217)	(291)
Total current tax	**51**	**922**
Deferred current tax		
Origination and reversal of temporary differences	(3,137)	(3,866)
Adjustments in respect to prior periods	(164)	154
Total deferred tax	**(3,301)**	**(3,712)**
Total tax credit	**(3,250)**	**(2,790)**

Reconciliation of tax expense

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Loss on ordinary activities before tax	(21,396)	(30,142)
Tax using the UK corporation tax rate of 19%	(4,065)	(5,727)
Credit for research and development	(55)	(81)
Overseas tax rate differences and state taxes	(199)	573
Deferred tax not recognised	214	803
Rate differences	7	(961)
Adjustments in respect of prior years	(381)	(137)
Non-deductible expenses and other permanent differences	1,229	2,740
Total tax credit	**(3,250)**	**(2,790)**

Factors that may affect future current and total tax charges

The deferred tax asset at 31 December 2019 has been calculated using the rate of 19.25%, this is based on a blended rate between the US (24.95%) and UK (17%) rates. From 1 April 2020 the UK rate will increase to 19%.

Notes *(continued)*

9 Property, plant and equipment

	Leasehold property £000	Computer equipment £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 January 2019	-	265	96	1,864	2,225
Acquisitions through business combinations	989	44	607	829	2,469
Additions	1,175	150	482	908	2,715
Disposals	-	-	(9)	(87)	(96)
Foreign exchange	-	(16)	(7)	(88)	(111)
Balance at 31 December 2019	2,164	443	1,169	3,426	7,202
Depreciation					
At 1 January 2019	-	19	34	465	518
Depreciation charge for the year	344	151	356	672	1,523
Depreciation disposal	-	-	(6)	(34)	(40)
Foreign exchange	-	(11)	(4)	(53)	(68)
Balance at 31 December 2019	344	159	380	1,050	1,933
Net book value					
At 31 December 2019	**1,820**	**284**	**789**	**2,376**	**5,269**

2018

	Computer Equipment £000	Motor Vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost				
Acquisitions through business combinations	245	86	1,223	1,554
Additions	117	-	651	768
Disposals	(121)	-	(143)	(264)
Foreign exchange	24	10	133	167
Balance at 31 December 2018	265	96	1,864	2,225
Depreciation				
Depreciation charge for the period	114	30	385	529
Depreciation disposal	(114)	-	(7)	(121)
Foreign exchange	19	4	87	110
Balance at 31 December 2018	19	34	465	518
Net book value				
At 31 December 2018	**246**	**62**	**1,399**	**1,707**

The Group's obligations under finance leases (see note 16) are secured by the lessors' title to the leased assets, which have a carrying amount of £2,131,000.

Notes *(continued)*

10 Intangible assets

	Goodwill	Customer relationships	Product Development and certification	Trademarks	Software	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2019	29,511	22,536	38,325	7,176	1,020	98,568
Acquisitions through business combinations	4,062	2,035	146	1,394	-	7,637
Additions	-	-	989	46	890	1,925
Disposals	-	-	(48)	-	-	(48)
Foreign exchange	(1,705)	-	(29)	-	-	(1,734)
Balance at 31 December 2019	31,868	24,571	39,383	8,616	1,910	106,348
Amortisation and impairment						
At 1 January 2019	-	9,702	6,690	598	46	17,036
Amortisation for the year	-	5,381	8,064	840	256	14,541
Disposals	-	-	-	-	-	-
Foreign exchange	-	-	(1)	-	-	(1)
Balance at 31 December 2019	-	15,083	14,753	1,438	302	31,576
Net book value						
At 31 December 2019	**31,868**	**9,488**	**24,630**	**7,178**	**1,608**	**74,772**

2018

	Goodwill	Customer relationships	Product Development and certification	Trademarks	Software	Total
	£000	£000	£000	£000	£000	£000
Cost						
Acquisitions through business combinations	29,357	22,536	37,297	7,165	-	96,355
Additions in period	154	-	1,028	11	1,020	2,213
Balance at 31 December 2018	29,511	22,536	38,325	7,176	1,020	98,568
Amortisation and impairment						
Amortisation for the period	-	9,702	6,690	598	46	17,036
Balance at 31 December 2018	-	9,702	6,690	598	46	17,036
Net book value						
At 31 December 2018	**29,511**	**12,834**	**31,635**	**6,578**	**974**	**81,532**

Notes *(continued)*

10 Intangible assets *(continued)*

Amortisation and impairment charge

The amortisation charge is recognised in the following line items in the income statement:

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Administration expenses:		
Amortisation of acquired intangible assets	14,200	16,944
Amortisation of other intangible assets	341	92
	14,541	**17,036**

The economic lives of the intangibles are as follows:

Customer relationships	**5 years**
Product development	**5 – 10 years**
Product certification	**3 years**
Trademarks	**10 years**
Software	**5 - 10 years**

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units (CGU's) or groups of cash generating units as follows:

	Goodwill 2019 £000	Goodwill 2018 £000
Americas	15,536	17,241
Europe	13,141	9,079
AMEA and China	3,191	3,191
	31,868	**29,511**

The recoverable amount of each segment has been calculated with reference to its fair value less costs to sell. As disclosed in note 28.

Notes *(continued)*

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities. Deferred tax assets and liabilities are attributable to the following:

	2019 Assets £000	2019 Liabilities £000	2018 Assets £000	2018 Liabilities £000
Intangible assets	5	(8,326)	4	(10,434)
Tax losses	34	(113)	34	-
Other temporary differences	693	(158)	263	-
Tax assets/(liabilities)	**732**	**(8,597)**	**301**	**(10,434)**

A deferred tax asset has not been recognised in respect of timing differences relating to certain losses within the Group and capital losses. The total gross amount of tax losses in respect of which no asset has been recognised is £7,145,000 (2018:£9,199,000); the related tax would be recovered if sufficient taxable profits arise in future periods in the appropriate companies in an appropriate time frame.

12 Inventories

	2019 £000	2018 £000
Raw materials and consumables	2,592	916
Work in Progress	1,676	1,708
	4,268	**2,624**

13 Trade and other receivables

Current	2019 £000	2018 £000
Trade receivables	17,645	15,626
Other receivables	2,476	125
Prepayments and accrued income	732	567
	20,853	**16,318**

Non-current	2019 £000	2018 £000
Trade receivables	531	243
Other receivables	2	-
	533	**243**

Notes *(continued)*

13 Trade and other receivables *(continued)*

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality, where available, and if not available the Group uses other publicly available financial information, and its own trading records, to rate its major customers. Where available, and economic, the Group makes use of credit insurance.

Of the trade receivables balance at the end of the year, nil (2018:£3,248,000) is due from customers representing more than 10% of the total balance of trade receivables. During the year, due to the nature of the Group's trade (which can include large contracts), the balance due from any individual customer might exceed 10% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,752,000 (2018:£686,000) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 252 days (2018:114 days). All impaired receivables are fully provided for.

	2019 £000	2018 £000
Ageing of past due but not impaired receivables		
60-90 days old	871	360
90+ days old	881	326
	1,752	**686**

Of the 90+ days old balance, £69,000 (2018: £1,000) is insured.

The movement in the allowance for doubtful receivables is in the table below:

	2019 £000	2018 £000
Allowance of doubtful receivables 1 January/ on acquisition	68	78
Acquired with acquisition	17	-
Allowances released for the year	(56)	(24)
Net allowances made in the year	387	10
Exchange movement	(2)	4
Allowance for doubtful receivables on 31 December	**414**	**68**

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The Directors consider the recoverability of trade receivables on an individual basis, given their knowledge of the customer and the trading environment, and make an allowance for any amounts considered doubtful.

Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The Directors consider that the carrying amount of trade receivables approximates their fair value.

14 Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents	4,020	4,701

Cash and cash equivalents comprise cash held by the Group. The carrying amount of these assets approximates their fair value.

Notes *(continued)*

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 22.

	2019 £000	2018 £000
Non-current liabilities		
Bank loans	(59,773)	(54,720)
Preference shares	(39,580)	(32,632)
Finance leases	(1,626)	-
Other loans	(9)	-
	(100,988)	**(87,352)**
Current liabilities		
Bank overdraft	(1,592)	(1,498)
Bank loans	(3,786)	(4,161)
Finance leases	(644)	(40)
Other loans	(4)	-
	(6,026)	**(5,699)**
Total borrowings	**(107,014)**	**(93,051)**

32,632,373 £1 Preference shares were issued in 2018 year with a value of £32,632,373. 9,834,654 Series 2 Preference shares were issued in the year with a value of £6,947,670. Both types of preference shares have the right to a fixed cumulative preferential dividend at the annual rate of 13 per cent of the issue price. Preference shares have no voting rights. The dividend is due on the redemption date. Preference shares have been treated as debt as they have the right to a fixed cumulative preferential dividend at the annual rate of 13 per cent of the issue price, however this dividend is only payable where there is the means to allow its payment, the dividend paid will be pro rata per preference share where there are restrictions on the payment.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2019 £000	Carrying amount 2019 £000
<u>Secured</u>					
USD Senior debt B1	$	LIBOR + 3%	2024	3,171	3,171
USD Senior debt B2	$	LIBOR + 7%	2025	39,645	39,645
GBP Senior debt	£	LIBOR + 6.75%	2025	10,200	10,200
Capital fund facility	£	LIBOR + 6.75%	2024	6,757	6,757
Revolving credit facility	£	LIBOR + 3%	2024	3,786	3,786
Bank overdraft	£	LIBOR + 3%	2024	1,592	1,592
Finance leases	£	4.35%	Various to 2023	2,254	2,254
Finance leases	$	5.33%	2022	16	16
Other loan	£	1.55%	2022	13	13
				67,434	**67,434**

Notes *(continued)*

16 Leases

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

i) Amounts recognised in the statement of financial position

Right-of use assets	**Leasehold property**	**Motor vehicles £000**	**Fixtures, fittings and equipment £000**	**Total £000**
Cost				
Acquisitions through business combinations	989	110	-	1,099
Additions	1,175	370	66	1,611
Disposals	-	(5)	-	(5)
Balance at 31 December 2019	2,164	475	66	2,705
Depreciation				
Charge for the year	344	210	24	578
Disposal	-	(4)	-	(4)
Balance at 31 December 2019	344	206	24	574
Net book value				
At 31 December 2019	**1,820**	**269**	**42**	**2,131**

Lease liabilities	**2019 £000**	**2018 £000**
Current		
Lease liabilities	(628)	-
Finance leases	(16)	(40)
Total current liabilities	**(644)**	**(40)**
Non-current		
Lease liabilities	(1,626)	-
Total non-current liabilities	**(1,626)**	-
Total lease liabilities	**(2,270)**	**(40)**

Notes *(continued)*

16 Leases *(continued)*

ii) Amounts recognised in the income statement

Depreciation charge of right-of-use assets:	**2019 £000**	**2018 £000**
Leasehold property	344	-
Motor vehicles	210	-
Fixtures, fittings and equipment	24	
Total depreciation charge of right-of-use assets	**578**	-
Interest expense		
Interest expense (included in finance cost)	**(89)**	-

The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS17 while the current year are based on IFRS 16. The lease terms range from 2 years to 8 years. Where there are termination options and extension options, management have considered the likelihood of the option being taken based on the current circumstances and intentions of the business.

Lease costs of £240,000 for leases that are classed as short-term or low value have been charged to the income statement, mainly relating to property leases that expired shortly after the year end and vehicle leases that are on short term rental.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

17 Trade and other payables

Current	**2019 £000**	**2018 £000**
Trade Payables	6,682	5,572
Payments on account	79	193
Other payables	1,746	1,637
Other tax and social security payable	1,027	890
Deferred consideration	1,075	1,107
Accruals and deferred income	4,781	6,296
	15,390	**15,695**

Non-current	**2019 £000**	**2018 £000**
Deferred consideration	1,003	621
Other creditors	332	-
Accruals and deferred income	-	237
Accrued preference shares dividend	15,900	6,996
	17,235	**7,854**
Total trade and other payable	**32,625**	**23,549**

The carrying amount of these liabilities approximates their fair value.

The amounts owed to group undertakings are interest free and repayable on the sale of the group.

Notes *(continued)*

18 Provisions

2019	Warranty claims £000	Other claims £000	Total £000
Provision brought forward	2,756	260	3,016
Provision acquired with acquisition	209	39	248
Provision made upon acquisition	105	73	178
Provisions made in the year	453	24	477
Provision reversed/utilised during the year	(859)	(75)	(934)
Exchange movements	(47)	(5)	(52)
Balance at 31 December 2019	**2,617**	**316**	**2,933**
Non-current	-	-	-
Current	2,617	316	2,933
	2,617	**316**	**2,933**

2018	Warranty claims £000	Other claims £000	Total £000
Provision on acquisition	3,234	308	3,542
Provisions made in the period	639	-	639
Provision reversed during the period	(1,248)	(52)	(1,300)
Exchange movements	131	4	135
Balance at 31 December 2018	**2,756**	**260**	**3,016**
Non-current	-	-	-
Current	2,756	260	3,016
	2,756	**260**	**3,016**

Provision has been made for potential costs to be incurred in association with warranty claims. This provision is classified as current in the balance sheet as the Group does not control the timing of any payment under warranty. The nature of the Group is such that warranty claims can arise over a number of years and so the expected utilisation cannot be determined with certainty, although no known significant current cash outflows are expected in the next few months.

Provision for other claims related to potential claims from employees and tax authorities.

Notes *(continued)*

19 Share capital

Share capital of entity:

	Number of ordinary shares	Number of ordinary A shares	Number of ordinary C shares	Value of shares	Share premium	Total share capital
				£	£	£
On incorporation	1	-	-	1	-	1
Reclassified and subdivided in period	(1)	10	-	-	-	-
Issued during the period		3,171,754	171,300	334,305	3,008,748	**3,343,053**
On issue at 31 December 2018	-	**3,171,764**	**171,300**	**334,306**	**3,008,748**	**3,343,054**
Issued during the year		2,746,986	92,656	283,964	425,947	**709,911**
On issue at 31 December 2019	-	**5,918,750**	**263,956**	**618,270**	**3,434,695**	**4,052,964**

	2019	2018
	£000	£000
Allotted, called up and fully paid:		
5,918,750 (2018: 3,171,754) ordinary A shares of £0.10 each	592	317
263,956 (2018: 171,300) ordinary C shares of £0.10 each	26	17
	618	334

2,746,986 10p Ordinary A shares were issued during the year with a value of £274,699, the price paid per share was £0.25, therefore resulting in a share premium of £412,048. Voting rights of one vote per share. Interest in dividends only after preference shares.

92,656 10p Ordinary C shares were issued during the year with a value of £9,266, the price paid per share was £0.25, therefore resulting in a share premium of £13,899. Voting rights of one vote per share. Interest in dividends only after preference shares.

20 Non-controlling interest

	Share capital in Turner International Topco Limited	Share premium in Turner International Topco Limited	Share capital and reserves in Hydro Thunip Yancheng	Total share capital
				£
On acquisition	-	-	114,407	**114,407**
Issued during the period	73,022	657,202	-	**730,224**
On issue at 31 December 2018	**73,022**	**657,202**	**114,407**	**844,631**
Issued during the year	56,968	85,450	-	**142,418**
Loss during the year	-	-	(200,887)	**(200,887)**
On issue at 31 December 2019	**129,990**	**742,652**	**(86,480)**	**786,162**

The Turner International Topco Limited non-controlling interest relates to Ordinary A, Ordinary B and Ordinary C shares in Turner International Topco Limited that are owed by third parties.

The Hydro Thunip Yancheng non-controlling interest is a 49% stake in Hydro Thunip Yancheng Water Technology Co Ltd, our subsidiary based in China. The Joint Venture between the Group and Thunip Corporation Ltd (own 49%) was signed on the 21st July 2017.

Notes *(continued)*

21 Reserves

	Share capital	Retained earnings	Non-controlling interest	Total
	£000	£000	£000	£000
Result for the period	-	(27,466)	114	(27,352)
Currency translation differences	-	510	-	510
Share capital issued	3,343	-	730	4,073
Balance at 31 December 2018	**3,343**	**(26,956)**	**844**	**(22,769)**
Result for the year	-	(17,958)	(201)	(18,159)
Currency translation differences	-	(245)	-	(245)
Share capital issued	710	-	143	853
Balance at 31 December 2019	**4,053**	**(45,159)**	**786**	**(40,320)**

The non-controlling interest is a 49% stake in Hydro Thunip Yancheng Water Technology Co Ltd, our subsidiary based in China. The Joint Venture between the Group and Thunip Corporation Ltd (own 49%) was signed on the 21st July 2017.

Notes *(continued)*

22 Financial instruments

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short term deposits and borrowings	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet, as only recently obtained on the market.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured using either a Level 2 or Level 3 valuation method.

The fair value of financial assets and liabilities measured using a Level 2 valuation method are as follows:

	31 December 2019 £000	31 December 2018 £000
Trade and other receivables	**20,853**	**16,288**
Total financial assets	**20,853**	**16,288**
Trade and other payables	(11,944)	(10,257)
Borrowings at amortised cost	(67,434)	(60,419)
Total financial liabilities	**(79,378)**	**(70,676)**

The fair value of financial assets and liabilities measured using a Level 3 valuation method are as follows:

	31 December 2019 £000	31 December 2018 £000
Deferred consideration		
At 1 January/ on acquisition	(1,728)	(1,294)
Additions in year	(1,850)	(150)
Revaluation of contingent consideration	478	(24)
Paid during year	1,107	204
Unwinding to finance costs	(103)	(401)
Foreign exchange	18	(63)
At 31 December	**(2,078)**	**(1,728)**

Notes *(continued)*

22 Financial instruments *(continued)*

The fair value for the contingent consideration is calculated based on forecast performance of the entities acquired, and therefore the valuation is most sensitive to movements in forecast EBITDA. A 10% decrease in the forecast EBITDA of the respective subsidiaries would not materially impact the fair value of the deferred consideration.

22(a) Credit risk

Financial risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral (e.g. deposits), where appropriate, as a means of mitigating the risk of financial loss from defaults. The information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major customers. IFRS 13 requires that own credit risk is reflected in the fair value measurement of a financial liability when the effect of non-performance risk is considered. The Group's main financial liabilities are its financing liabilities and trade creditors. Having performed an assessment of the Group's own credit risk, no adjustment to the Group's financial liabilities is considered necessary.

Trade receivables consist of a large number of customers, spread across different industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate and available, credit insurance cover is purchased.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any deposits obtained.

22(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, financial covenants on borrowing facilities, and matching the maturity profiles of financial assets and liabilities.

Notes *(continued)*

22 Financial instruments *(continued)*

Liquidity and interest tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000	£000
Non-interest bearing						
Trade payables	6,682	-	-	-	-	6,682
Current tax	-	592	-	-	-	592
Accruals	4,781	-	-	-	-	4,781
Other taxes and social security	1,027	-	-	-	-	1,027
Other payables	1,746	-	-	332	-	2,078
Deferred contingent consideration	-	-	1,075	1,003	-	2,078
Payments received on account	79	-	-	-	-	79
Accrued preference share dividend	-	-	-	-	15,900	15,900
	14,315	**592**	**1,075**	**1,335**	**15,900**	**33,217**
Variable interest rate instruments						
Overdraft	1,592	-	-	-	-	1,592
Loans	1,786	2,000	-	59,773	-	63,559
	3,378	**2,000**	**-**	**59,773**	**-**	**65,151**
Fixed interest rate instruments						
Obligations under finance lease	161	161	322	1,626	-	2,270
Preference shares treated as debt	-	-	-	-	39,580	39,580
Other loans	1	1	3	8	-	13
	162	**162**	**325**	**1,634**	**39,580**	**41,863**
	17,855	**2,754**	**1,400**	**62,742**	**55,480**	**140,231**

As the Group publishes its financial statements in Sterling and conducts business in the US, it is subject to foreign currency exchange risk arising from exchange rate movements which will affect the Group's transaction costs and the translation of results and underlying net assets of its foreign subsidiaries. Forward exchange contracts are entered into from time to time, but otherwise there is no active management of the foreign currency risk undertaken given the relative costs and complexities involved with hedging foreign currencies.

All disclosures in relation to financial instruments exclude short-term debtors and creditors unless specifically stated.

Notes *(continued)*

22 Financial instruments *(continued)*

The currency profile of financial liabilities as at 31 December 2019 were as follows:

	2019 £000	2018 £000
Currency		
US Dollar floating rate	42,816	44,520
US Dollar fixed rate	547	40
	43,363	**44,560**

Interest receipts on cash and short-term deposits are determined by reference to short-term benchmark rates such as LIBOR and the UK bank base rate.

At 31 December 2019, the variable rate borrowings relate solely to US Dollar denominated bank loan agreements with an interest rate of 3% to 6% over LIBOR. See note 15 for more detail.

At 31 December 2019, the fixed rate borrowings relate solely to US denominated finance leases with an effective average borrowing rate of 4.35% (2018:5.35).

There are no differences between the fair value and the carrying value of the Group's financial instruments at 31 December 2019.

Market risk

Market risk – interest rate risk

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is periodically reviewed but not actively managed given the current level of market interest rates and the amount of the borrowings. Some debt i.e. finance leases are at a fixed rate.

Market risk – currency risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into forward foreign exchange contracts to buy forward against specific material purchase contracts:

Forward foreign exchange contracts

There were no forward foreign currency contracts outstanding as at the year-end.

Notes *(continued)*

22 Financial instruments *(continued)*

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. Where cost-effective, exchange rate exposures are managed utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities (where the currency of the asset or liability is different to the functional currency of the entity) at the reporting date are as follows:

	2019		2018	
	£000		£000	
Monetary assets				
Euro	252	EUR 298,261	136	EUR 151,124
US Dollar	1,155	USD 1,533,021	406	USD 517,998
Monetary liabilities				
Euro	(223)	EUR 263,505	(89)	EUR 98,767
US Dollar	(25)	USD 33,706	(47)	USD 60,058
Swedish Krona	(129)	SEK 1,601,915	(665)	SEK 7,524,053
Net monetary liabilities	**1,030**		**(259)**	

The consolidated income statement for the Group is exposed to the net US Dollar balance. The net US Dollar asset as at 31 December 2019 was $5,788,000 (2018: $4,508,000).

Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of Sweden (Swedish Krona), France, Germany and Ireland (Euro) and the US (US Dollars). 10% is the sensitivity rate used when reporting foreign exchange risk internally to key management personnel and represents an indicative assumption against which to assess exposure to possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The following table details the Group's sensitivity to a 10% increase or decrease in the relevant foreign currencies against Sterling, where a positive number below indicates a gain.

	Euro currency impact		Swedish Krona currency impact		US Dollar currency impact	
	Weakens £000	Strengthens £000	Weakens £000	Strengthens £000	Weakens £000	Strengthens £000
Profit or loss	53	(43)	14	(12)	131	(107)

Notes *(continued)*

23 Commitments

As part of the Group's control over its foreign currency exposure, forward exchange contracts are occasionally entered into. No forward exchange contracts had been entered into at the 31st December 2019 or 2018.

Pension contributions of £93,000 (2018: £86,000) are included in creditors at the year end.

24 Contingent liabilities

There were no commitments at the year-end or the prior year end.

25 Related parties

Transactions between Turner International Holdco Limited and its 100% subsidiaries, which are related parties, have been eliminated on consolidation. No disclosure of these transactions is required under IAS 24.

Agilitas 2015 Private Equity GP LP, a company registered in Jersey is adviser to the investment manager of the funds which ultimately own 100% of the share capital that carries voting rights of Turner International Holdco Limited. During the year monitoring fees of £293,000 (2018: £245,000) payable to Agilitas Private Equity LLP were invoiced and paid, of this £124,000 *(2018: £106,000) related to directors' services.*

Agilitas Private Equity LLP has common directors with Agilitas 2015 Private Equity GP LP. During the year Agilitas Private Equity LLP recharged expenses of £57,000 (2018: £80,000) were invoiced and £53,500 (2018: £72,000) paid, £3,500 (2018: £8,000) is included in the trade payables balance.

Key management personnel, who are considered to be related parties, are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity - directly or indirectly. Remuneration of key management personnel is set out in the following table.

	Year ended 31 December 2019 £000	**Period ended 31 December 2018 £000**
Salaries, bonuses and other short-term employee benefits	1,115	602
Post-employment benefits	75	47
	1,190	**649**

Highest paid director	**Year ended 31 December 2019 £000**	**Period ended 31 December 2018 £000**
Salaries, bonuses and other short-term employee benefits	278	145
Post-employment benefits	33	14
	311	**159**

No remuneration was paid directly to the directors of Turner International Holdco Limited during the year.

Notes *(continued)*

26 Controlling party

At the end of the financial period the directors noted that the ultimate controlling party was Agilitas 2015 Private Equity Fund L.P., based on the disposition of shareholdings in the company.

27 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on past experience together with expectations of future events that are believed to be reasonable at the present time. Actual results may ultimately differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

Developments costs

The Group invests in the development of future products and the enhancement of existing products. The key area of judgement is determining whether the expenditure meets the criteria under IAS38 'Intangible Assets', details of which are set out in note 1. The current NBV of these is £14,753,000 (2018: £24,630,000).

Business combinations

The Group measures consideration at fair value at the date of acquisition and assesses any change in fair value on an annual basis. This requires the Group to make an estimate of the future performance-related metrics in respect of the contingent consideration (see note 28).

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis by estimating the value in use of the cash generating units to which goodwill relates. This requires estimating expected future cash flows from the cash generating unit to which the goodwill relates at a determined discount rate and appropriated growth rate to calculate the present value of those cash flows (note 10). The current value of goodwill is £31,868,000 (2018: £29,511,000)

Taxation

A deferred tax asset (note 11) is recognised only to the extent that it is probable that sufficient taxable profits will be available to utilise the tax losses and temporary differences. The Group has made estimates on the likelihood that future taxable profits will utilise these tax losses. The current value the deferred tax asset is £732,000 (2018: £301,000)

Leases

Where judgement applied to termination options on leases, the earliest termination option has been applied when assessing the length of the lease. Judgement has been applied when assessing the Incremental Borrowing Rate (IBR) that has been applied in the calculation of the lease liability. The short term cost of capital has been adjusted for the risk of lease borrowing.

Notes *(continued)*

28 Acquisitions of subsidiaries

Acquisitions in the year ended 31 December 2019

On 22 July 2019, the Group acquired all of the ordinary share capital in M&N Electrical and Mechanical Services Limited for £10,143,706.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Book value	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	2,214	255	2,469
Intangible assets	-	3,575	3,575
Inventory	2,030	(271)	1,759
Trade and other receivables	3,210	(48)	3,162
Cash and cash equivalents	783	-	783
Trade and other payables	(3,030)	-	(3,030)
Provisions	(248)	(178)	(426)
Current tax liability	(43)	-	(43)
Deferred tax liability	(382)	(679)	(1,061)
Interest bearing loans and borrowings	(15)	(1,091)	(1,106)
Net identifiable assets and liabilities	**4,519**	**1,563**	**6,082**
Goodwill			4,062
Total consideration			**10,144**
Consideration:			
At acquisition			7,926
Deferred consideration			2,218
Total consideration			**10,144**
Impact on cashflow:			
Cash paid at acquisition			7,926
Net cash and cash equivalents acquired			(783)
Impact on cashflow			**7,143**

On acquisition, intangible assets of £3,575,000 were valued. These intangible assets are being written off between 1 years and 10 years.

Within deferred tax is a liability of £593,000 which was calculated in respect of intangible assets detailed above.

The goodwill arising on the acquisition of M&N Electrical and Mechanical Services Limited is attributable to the anticipated profitability of the distribution of the Group's products through the new route to market and the anticipated future operating synergies from the combination.

Notes *(continued)*

29 Effect of adoption of IFRS 16 - Leases

As indicated in note 1 and 16, the Group has adopted IFRS 16 Leases using the modified retrospective approach from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principals of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.85% and the IBR (Incremental Borrowing Rate) is 4.35%.

Management have reviewed the lease extension and termination terms in the lease agreement and have considered the most likely lease termination date for each circumstance and this has been applied when calculating the lease liability and ROU asset value.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-to-use asset as the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of lease liabilities

	£000
Acquiree's net assets at the acquisition date:	
Operating lease commitments disclosed as at 31 December 2018	(1,611)
Discounted using the lessee's incremental borrowing rate at the date of application	(1,477)
Less: low-value leases not recognised as a liability	5
Less: adjustments as a result of different treatment of maintenance and VAT	10
Add: Lease liability in statement of position	(40)
Lease liability recognised as at 1 January 2019	**(1,502)**
Addition with acquisition	(1,091)
Lease repayments	641
Leases additions	(257)
Interest charge	(89)
Foreign exchange	28
Lease liability as at 31 December 2019	**(2,270)**

Measurement of right-of-use assets

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied.

Lessor accounting

The company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Notes *(continued)*

30 Post balance sheet events

The Covid-19 pandemic in 2020 has impacted markets in which the group (or company) operates and the wider economy around the world. The group (or company) considers the outbreak to be a non-adjusting post balance sheet event as of 31 December 2019.

Company Balance Sheet
at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Investments	*ii*	40,323	33,220
Current assets			
Cash and cash equivalents	*iii*	389	70
Total assets		40,712	33,290
Non-current liabilities			
Trade and other payables	*iv*	(7,943)	(3,349)
Interest-bearing loans and borrowings	*v*	(36,340)	(29,947)
Total liabilities		(44,283)	(33,296)
Net liabilities		**(3,571)**	**(6)**
Capital and reserves			
Share capital	*vi*	4,053	3,343
Retained earnings		(7,624)	(3,349)
Equity shareholders' funds	*vii*	**(3,571)**	**(6)**

The notes on pages 58 to 62 form an integral part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 28 September 2020 and were signed on its behalf by:

Adrian Jeffery
Director

Company registered number: 11157408

Company Statement of Changes in Equity
for year ended 31 December 2019

	Share capital £000	Retained earnings £000	Total £000
At incorporation	-	-	-
Loss for the period	-	(3,349)	(3,349)
Transactions with owners:			
Share capital issued	3,343	-	3,343
At 1 January 2019	**3,343**	**(3,349)**	**(6)**
Loss for the year	-	(4,275)	(4,275)
Transactions with owners:			
Share capital issued	710	-	710
Balance at 31 December 2019	**4,053**	**(7,624)**	**(3,571)**

The notes on pages 58 to 62 form an integral part of the financial statements.

Notes
(forming part of the company financial statements)

i. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

Turner International Holdco Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and for the first time. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

Notes *(continued)*

i. Accounting policies *(continued)*

Investments

Investments in subsidiary undertakings are stated at cost less amounts provided for any impairment.

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

ii. Fixed asset investment

	Shares in group undertaking £000
Cost	
At acquisition	33,220
Increase in investment in year	7,103
At 31 December 2019	40,323

Subsidiary undertakings
The principal operating subsidiaries are:

Hydro International Limited, England
Eutek Systems, Inc. USA*
HIL Technology, Inc. USA*
Hydro International (UK) Limited, England and Wales*
Hydro International (Wastewater) Limited, England and Wales*
Hydro-Logic Services (International) Limited, England and Wales*
Hydro Thunip Yancheng Water Technology Co Ltd, China*
M&N Electrical and Mechanical Services Limited, England and Wales (acquired 22 July 2019)*

The non-trading subsidiaries are:

Turner International Topco Limited, England and Wales
Turner International Midco Limited, England and Wales*
Turner International Midco 2 Limited, England and Wales*
Turner International Bidco Limited, England and Wales*
Hydro International Americas, Inc. USA*
Hydro International (Holdings), Inc. USA*
Ely Acquisition Limited, England and Wales*
Hydro International (Holdings) Limited, England and Wales*
HRD Technologies Limited, Republic of Ireland*
Hydro-Logic Limited, England and Wales*
Vexamus Limited, England, England and Wales*
Vexamus Water (Scotland) Limited, Scotland*
Oxford Scientific Software, England and Wales*

* These are indirectly held.

The registered addresses of the companies are as follows:

Eutek Systems, Inc	2925 NW Aloclek Drive Suite 140, Hillsboro, Oregon 97124. USA
HIL Technology, Inc	94 Hutchins Drive, Portland, Maine 04102. USA
HRD Technologies Limited	Arther Cox Building, Earlsfort Terrace, Dublin 2. Republic of Ireland
Vexamus Water (Scotland) Limited	Deloitte, 4th Floor Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB. UK
Hydro Thunip Yancheng Water Co Ltd	Room 8016 Building 1 East Nanjing 6 Road, Guangfu Road, Nanyang Town, Tinghu District, Yancheng, Jiangsu, China
Hydro International Americas, Inc. and Hydro International (Holdings), Inc.	94 Hutchins Drive, Portland, Maine 04102. USA
All other companies:	Shearwater House, Clevedon Hall Estate, Victoria Road, Clevedon, North Somerset, BS21 7RD. UK

Notes *(continued)*

iii. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank	389	70
	389	**70**

iv. Other payables: Non-current

	2019 £000	2018 £000
Accrued dividends on preference shares	7,611	3,349
Other creditors	332	-
	7,943	**3,349**

v. Interest bearing loans and borrowings

	2019 £000	2018 £000
Preference shares classed as debt	36,340	29,947
	36,340	**29,947**

Preference shares have been treated as debt as they have the right to a fixed cumulative preferential dividend at the annual rate of 13 per cent of the issue price, however this dividend is only payable where there is the means to allow its payment, the dividend paid will be pro rata per preference share where there are restrictions on the payment.

Notes *(continued)*

vi. Share capital

	Number of ordinary shares	Number of ordinary A shares	Number of ordinary C shares	Value of shares	Share premium	Total share capital
				£	£	£
On incorporation	1	-	-	1	-	**1**
Reclassified and subdivided in period	(1)	10	-	-	-	**-**
Issued during the period		3,171,754	171,300	334,305	3,008,748	**3,343,053**
On issue at 31 December 2018	-	**3,171,764**	**171,300**	**334,306**	**3,008,748**	**3,343,054**
Issued during the period	-	2,746,986	92,656	283,964	425,947	**709,911**
On issue at 31 December 2019	-	**5,918,750**	**263,956**	**618,270**	**3,434,695**	**4,052,964**

	2019 £000	2018 £000
Allotted, called up and fully paid:		
5,918,750 (2018: 3,171,754) ordinary A shares of £0.10 each	592	317
263,956 (2018: 171,300) ordinary C shares of £0.10 each	26	17
	618	334

2,746,986 10p Ordinary A shares were issued during the year with a value of £274,699, the price paid per share was £0.25, therefore resulting in a share premium of £412,048. Voting rights of one vote per share. Interest in dividends only after preference shares.

92,656 10p Ordinary C shares were issued during the year with a value of £9,266, the price paid per share was £0.25, therefore resulting in a share premium of £13,899. Voting rights of one vote per share. Interest in dividends only after preference shares.

vii. Reconciliation of movement in shareholders' funds

	2019 £000	2018 £000
Opening shareholders' funds	(6)	-
Loss for the financial year	(4,275)	(3,349)
Issue of share capital	710	3,343
Net decrease in shareholders' funds	(3,565)	(6)
Closing shareholders' funds at the end of the year	**(3,571)**	**(6)**

viii. Commitments

There were no commitments at the year end.

ix. Controlling party

At the end of the financial period the directors noted that the ultimate controlling party was Agilitas 2015 Private Equity Fund L.P., based on the disposition of shareholdings in the company.