

Company Registration No. 04608506 (England and Wales)

SERVELEC CONTROLS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



SERVELEC CONTROLS LIMITED

COMPANY INFORMATION

Directors	Mr R Holden Mr A I Mills
Company number	04608506
Registered office	Rotherside Road Eckington Sheffield S21 4HL
Auditor	RSM UK Audit LLP Chartered Accountants 7th Floor City Gate East Tollhouse Hill Nottingham NG1 5FS
Bankers	Lloyds Bank Plc 14 Church Street Sheffield S1 1HP

SERVELEC CONTROLS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Principal activity and fair review of the business

The company is principally engaged in the supply of high integrity computer based information solutions and process control and management services, across the oil, gas, nuclear and power generation markets.

The company has offices in Aberdeen, Glasgow, Warrington and Sheffield.

Strong financial performance from the entity with much improved KPI's (other than a reduction in turnover) compared to 2018. The balance sheet remains robust with good WIP management and an increased cash balance has provided a good foundation for future growth. Very positive to have increased gross margin as we align ourselves to where we are in the market. Overheads were and remain well controlled, which overall has resulted in a 52% increase to profit before tax.

The company has made a strategic decision to foster relationships within its existing customers by offering additional services to those customers, as these customers have a massive reach. We have also targeted customers to offer our market leading support service, advent of ENI being one of those. We continue to forge relationships with our suppliers and gain accreditations where possible.

These principal decisions are taken by directors using market knowledge and direction, opportunities in the future and long term growth aspirations.

Cash flow risk

The company continues to maintain adequate cash balances to fund its working capital requirement.

Key performance indicators

	2019	2018
	£'000	£'000
Turnover	10,934	11,246
Gross profit	4,840	4,079
Gross profit percentage	44.3%	36.3%
Net profit before tax	1,774	1,170
EBITDA	1,835	1,212

The improvement to PBT is driven by improved profit margins on work won in 2019 compared with 2018.

Future developments

The group's strategy is to concentrate on developing and growing its core trading business whilst at the same time seeking out new opportunities to develop software products, utilise its significant knowhow, experience and people's skills. The group has a 'buy and build' strategy in order to grow its share in existing markets and to create a share in adjacent markets. The group outlook for 2020 is positive, despite the COVID-19 pandemic and commodity price of oil. We are mindful of any potential impact that Brexit may have, but do not expect this to materially impact the company and group.

Company performance for the first 4 months has been robust, with trading in line with expectations. YTD 2020 EBITDA against YTD 2019 is 15% greater, with gross margin remaining strong. We have healthy cash reserves and are continuing to invoice at a high value each month, aged debt is well controlled. A strong order book coupled with a qualified pipeline across the business means a positive outlook for 2020.

Principal risks and uncertainties

The company's operations expose it to a variety of financial issues that include the effects of changes in market prices, credit risk and technological developments. The company has in place a risk management policy that seeks to limit the adverse effects on the financial performance of the company. The principal risks are set out in the going concern disclosure in the accounting policies.

SERVELEC CONTROLS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management objectives and policies

The company's directors and senior management oversee the management of risks in line with the policies and procedures set by the company.

Price risk

The company is exposed to price risk as a result of its operations, which are competitive in nature. However, the directors consider that they are close enough to the market to be able to react quickly to price changes and hence manage the impact on the company's performance.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

Management review the liquidity position of the company on a regular basis from KPI's and other management information. Most liabilities are due within 1 year and it is therefore considered unlikely that any would be settled significantly earlier than indicated.

Interest rate risk

The company has only limited exposure to interest rate risk as it has no external borrowings.

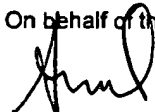
Foreign currency risk

The company has limited exposure to foreign currency risk.

Going concern

See page 11 for information regarding the basis of going concern.

On behalf of the board



Mr A I Mills
Director

3 June 2020

SERVELEC CONTROLS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors

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

Mr R Holden
Mr A I Mills

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid (2018: £108,023). The directors do not recommend payment of a final dividend.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial instruments.

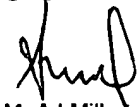
Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

See page 11 for information regarding the basis of going concern.

On behalf of the board



Mr A I Mills
Director

3 June 2020

SERVELEC CONTROLS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVELEC CONTROLS LIMITED

Opinion

We have audited the financial statements of Servelec Controls Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the 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 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVELEC CONTROLS LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Richard King FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
7th Floor
City Gate East
Tollhouse Hill
Nottingham
NG1 5FS

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4 June 2020

SERVELEC CONTROLS LIMITED

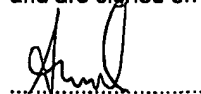
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	10,934	11,246
Cost of sales		(6,094)	(7,167)
Gross profit		4,840	4,079
Distribution costs		(543)	(622)
Administrative expenses		(2,538)	(1,907)
Other operating income	5	166	-
Exceptional items	4	(153)	-
Operating profit	8	1,772	1,550
Interest receivable and similar income		2	-
Exceptional items	4	-	(380)
Profit before taxation		1,774	1,170
Tax on profit	9	(126)	(508)
Profit for the financial year		1,648	662

SERVELEC CONTROLS LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11		7		20
Tangible assets	12		716		611
Investments	13		1,476		1,476
			<u>2,199</u>		<u>2,107</u>
Current assets					
Debtors	15	4,745		5,787	
Cash at bank and in hand		1,875		729	
		<u>6,620</u>		<u>6,516</u>	
Creditors: amounts falling due within one year	16	(3,850)		(5,321)	
Net current assets			<u>2,770</u>		<u>1,195</u>
Total assets less current liabilities			<u>4,969</u>		<u>3,302</u>
Provisions for liabilities	17		(81)		(62)
Net assets			<u><u>4,888</u></u>		<u><u>3,240</u></u>
Capital and reserves					
Called up share capital	19		-		-
Revaluation reserve	21		170		170
Profit and loss reserves	21		4,718		3,070
Total equity			<u><u>4,888</u></u>		<u><u>3,240</u></u>

The financial statements were approved by the board of directors and authorised for issue on 03 June 20 and are signed on its behalf by:



Mr A I Mills
Director

SERVELEC CONTROLS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

		Revaluation reserve	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000
Balance at 1 January 2018		170	2,516	2,686
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	662	662
Dividends	10	-	(108)	(108)
Balance at 31 December 2018		170	3,070	3,240
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	1,648	1,648
Balance at 31 December 2019		170	4,718	4,888

SERVELEC CONTROLS LIMITED

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

1 Accounting policies

Company information

Servelec Controls Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Rotherside Road, Eckington, Sheffield, S21 4HL.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", including the adoption of the amendments issued in December 2017 ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements are the first financial statements of Servelec Controls Limited prepared in accordance with FRS 102. The financial statements of Servelec Controls Limited for the year ended 31 December 2018 were prepared in accordance with FRS 101.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from FRS 101. Consequently, the directors have amended certain accounting policies to comply with FRS 102. There has been no financial impact on the numbers as a result of the transition. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Consensus Topco Limited. These consolidated financial statements are available from its registered office, Rotherside Road, Eckington, Sheffield, S21 4HL.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Going concern

Servelec Controls Limited, is a robust financially viable company and the directors are confident that it will continue to be a going concern through December 2021 and beyond.

The company has been affected by the COVID-19 pandemic with a reduced 2020 year end EBITDA base case forecast of £1.95m compared to an initial budget of £2.4m. Despite this reduction the financial forecast shows that the business maintains its cash generating position to 'pass' the covenant tests for Alcuin and Shawbrook, the company's financiers. As a result, the company is forecast to meet its obligations to pay interest on its senior debt.

The senior management team will endeavour to deliver results that exceed the current forecast; one example being the sale of the Dinnington property by auction in May 2020 which has now been agreed and is due to complete in early July generating net proceeds of £707,000.

The directors have identified the following key risks :

Risk - Covid-19 results in severe restrictions to work being carried out on customers' industrial sites.

Mitigation - Develop safe systems of working to ensure that personnel can be deployed within the restrictions and ensure that site time is contracted on a reimbursable time spent basis wherever possible.

Conclusion - Major site work expected in 2020 is for critical national infrastructure and therefore will be required, commercial risk of increased cost is addressed. Low risk.

Risk - Brent Oil price remains below \$30 a barrel.

Mitigation - The corporate strategy is focussed on infrastructure opportunities as these will still be, and are being, invested in even in the current economic climate. The strategy also addresses diversification through acquisitions and an offer has already been made for a company which is in the infrastructure section, thereby reducing the effects of oil price cyclicity.

Conclusion - Oil price has rallied, and market experts are saying the lower price will only be short-term. The UKCS can operate at \$30 a barrel. Low risk.

Risk - Customer failure.

Mitigation - The vast majority of the company's revenues are derived from blue chip companies who provide critical UK services/products and who are financially robust, for example, BP and EDF Energy. To protect against failure to pay aged debt is strongly managed. Aged debt with 30 days or less has been above 90% for the last 3 years.

Conclusion - The government will not let these customers fail due to critical nature of their services. Minimal risk.

Risk - Reduced demand.

Mitigation - In order to mitigate the effects of reduced demand the cost base is being, and will continue to be, reviewed.

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Going concern (continued)

Staff costs: Temporary reductions in demand will be addressed with the benefits of the UK Government's Coronavirus Job Retention Scheme and longer term reductions through restructuring. Each of these will lead to reductions in the company's cost base.

Non-staff costs: Running costs associated with the offices have been reduced to take account of office closures through the pandemic and home working will continue to be the norm for a significant time.

Conclusion - There are levers to pull if the situation worsens but the current outlook and forecast represents current business. Low risk.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software licences	20% straight line
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Tangible fixed assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses.

On transition to FRS 102 in the period, the Company has elected to use the net book value of freehold buildings brought forward as the deemed cost.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Plant and machinery, fixtures and fittings	2 - 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, gross amounts owed by contract customers and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Lessee

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Lessor

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Exceptional items

The company presents as exceptional items on the face of the statement of comprehensive income those material items of income or expense, which because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the period, so as to facilitate comparison with prior periods.

2 Judgements and key sources of estimation uncertainty

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

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

Impairment of fixed asset investments

Determining whether fixed asset investments are impaired requires an estimation at the higher of fair value and value in use of the cash generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

Revenue recognition

The timing of revenue recognition is subject to inherent complexities, especially in relation to more complex contracts. Revenue from contracts is recognised so as to ensure that an appropriate level of profit is recognised based on the stage of completion of the contract.

3 Turnover and other revenue

	2019	2018
	£'000	£'000
Turnover analysed by class of business		
Supply of technology services	10,934	11,246

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue (Continued)

	2019 £'000	2018 £'000
Other revenue		
Interest income	2	-
	<u>2</u>	<u>-</u>
	2019 £'000	2018 £'000
Turnover analysed by geographical market		
United Kingdom	10,466	10,762
Europe	435	433
Africa	33	51
	<u>10,934</u>	<u>11,246</u>

4 Exceptional costs

	2019 £'000	2018 £'000
Sale costs	-	299
Restructuring costs	-	81
IT migration and rebranding	153	-
	<u>153</u>	<u>380</u>

The IT migration and rebranding costs were required following the management buyout and the need to set up new IT systems and distinguish the company from the previous owner. In addition to the above incremental costs a further £150k of predominately staff costs were associated with the IT migration and rebranding exercise, which are included with administrative costs.

5 Other operating income

	2019 £'000	2018 £'000
Grants received - UK government R&D enhanced credit scheme	166	-
	<u>166</u>	<u>-</u>

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

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

	2019 Number	2018 Number
Production staff	98	94
Distribution staff	8	8
Administrative staff	12	7
	<u>118</u>	<u>109</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	4,112	4,124
Social security costs	465	453
Pension costs	367	346
	<u>4,944</u>	<u>4,923</u>

7 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	-	327
Company pension contributions to defined contribution schemes	-	37
	<u>-</u>	<u>364</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2018 - 2).

The directors have been remunerated by the intermediate holding company Consensus Bidco Limited in the current year.

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	n/a	202

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8 Operating profit

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging:		
Exchange losses	4	3
Fees payable to the company's auditor for the audit of the company's financial statements	30	30
Depreciation of owned tangible fixed assets	47	29
Amortisation of intangible assets	16	13
	<u> </u>	<u> </u>

9 Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current period	175	346
Adjustments in respect of prior periods	(68)	164
	<u> </u>	<u> </u>
Total current tax	107	510
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	19	(2)
	<u> </u>	<u> </u>
Total tax charge	126	508
	<u> </u>	<u> </u>

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit before taxation	1,774	1,170
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	337	226
Tax effect of expenses that are not deductible in determining taxable profit	3	192
Adjustments in respect of prior years	(68)	29
Effect of change in corporation tax rate	(2)	9
Group relief	(121)	-
Permanent capital allowances in excess of depreciation	1	-
Other adjustments	8	52
Tax effect of research and development income	(32)	-
	<u> </u>	<u> </u>
Taxation charge for the year	126	508
	<u> </u>	<u> </u>

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation (Continued)

Factors that may affect future tax charges

Following the March 2020 budget, legislation is being put in place for the main rate of corporation tax to remain at 19% from 1 April 2020 instead of reducing to 17%. The deferred tax balances within these financial statements have been calculated at 17%.

10 Dividends

	2019 £'000	2018 £'000
Final paid	-	108

11 Intangible fixed assets

	Software licences £'000
Cost	
At 1 January 2019	75
Additions - separately acquired	3
At 31 December 2019	78
Amortisation and impairment	
At 1 January 2019	55
Amortisation charged for the year	16
At 31 December 2019	71
Carrying amount	
At 31 December 2019	7
At 31 December 2018	20

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Tangible fixed assets

	Freehold land and buildings	Plant and machinery, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	640	1,457	2,097
Additions	-	152	152
At 31 December 2019	640	1,609	2,249
Depreciation and impairment			
At 1 January 2019	115	1,371	1,486
Depreciation charged in the year	13	34	47
At 31 December 2019	128	1,405	1,533
Carrying amount			
At 31 December 2019	512	204	716
At 31 December 2018	525	86	611

Included in freehold land and buildings is land with a value of £102,000 (2018: £102,000).

13 Fixed asset investments

	Notes	2019 £'000	2018 £'000
Investments in subsidiaries	14	1,476	1,476

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2019 & 31 December 2019	1,476
Carrying amount	
At 31 December 2019	1,476
At 31 December 2018	1,476

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Servelec Controls (Motherwell) Limited	1	Dormant company	Ordinary	100.00	-

Registered Office address:

1 Coltness House, Lark Way, Strathclyde Business Park, Bellshill, Lanarkshire, ML4 3RB

15 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	2,040	2,572
Gross amounts owed by contract customers	2,430	3,023
Corporation tax recoverable	-	146
Other debtors	9	-
Prepayments and accrued income	266	46
	<u>4,745</u>	<u>5,787</u>

16 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Payments received on account	163	807
Trade creditors	241	1,153
Amounts owed to group undertakings	2,171	1,476
Corporation tax	175	-
Other taxation and social security	561	366
Other creditors	64	1,126
Accruals and deferred income	475	393
	<u>3,850</u>	<u>5,321</u>

17 Provisions for liabilities

	Notes	2019 £'000	2018 £'000
Deferred tax liabilities	18	81	62

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

18 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2019 £'000	Liabilities 2018 £'000
Balances:		
Accelerated capital allowances	81	62
	<u>81</u>	<u>62</u>
Movements in the year:		2019 £'000
Liability at 1 January 2019		62
Charge to profit or loss		19
		<u>81</u>
Liability at 31 December 2019		<u>81</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

19 Retirement benefit schemes

	2019 £'000	2018 £'000
Defined Contribution Schemes		
Charge to profit or loss in respect of defined contribution schemes	367	346
	<u>367</u>	<u>346</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £40,246 (2018: £53,839) were payable to the fund at the year end and are included in other creditors.

20 Share capital

	2019 £	2018 £
Issued and fully paid		
102 Ordinary shares of £1 each	102	102
	<u>102</u>	<u>102</u>

21 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss.

Profit and loss reserves

This reserve represents cumulative earnings net of distributions to owners.

SERVELEC CONTROLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Operating lease commitments

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

	2019 £'000	2018 £'000
Within one year	218	123
Between one and five years	582	96
	<u>800</u>	<u>219</u>

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2019 £'000	2018 £'000
Within one year	58	50
Between one and five years	241	4
In over five years	5	-
	<u>304</u>	<u>54</u>

23 Events after the reporting date

On 19 May 2020 a sale of the company's freehold property was agreed at a net sales value of £707,000 and is due to complete within 30 days of the agreement. The carrying value of the property included within tangible fixed assets is £512,000 at 31 December 2019.

24 Related party transactions

During the year, management charges of £75,000 were payable to Alcuin GP IV LLP.

25 Ultimate controlling party

The company's immediate parent company is Consensus Bidco Limited, a company registered in England and Wales.

Consensus Topco Limited is the ultimate parent company, and is the smallest and largest group for which consolidated accounts including Servelec Controls Limited are prepared. The consolidated accounts of Consensus Topco Limited are available from its registered office: Rotherside Road, Eckington, Sheffield, England, S21 4HL.

The directors consider the ultimate controlling party to be Alcuin GP IV LLP.