

British Engineering Services Topco Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number: 09522491

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British Engineering Services Topco Limited

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British Engineering Services Topco Limited

Company information

Directors

Steven Dennison
Paul Hirst
Stewart Kay

Company Secretary

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British Engineering Services
Unit 718 Eddington Way
Birchwood Park
Warrington
United Kingdom
WA3 6BA

Registered No: 09522491

British Engineering Services Topco Limited

Chief Executive Officer's statement

With the world slowly starting to open up again after more than twelve months of doing things very differently, I am delighted to report that 2020 has been another record year for the business, both financially and also in terms of our investment in capacity for future growth. The Group's Management EBITDA is £9,868k, an increase of 23.3% on 2019.

Over the last five years we have invested heavily in our systems, processes and people to build a truly differentiated service for our customers and brokers. Throughout 2020 and during an extremely challenging time for so many, we invested in our people and our customers by launching our very own training centre, growing our team with more than 85 new starters and welcoming PCMS Engineering and Lantei to the Group.

Every part of the business is performing well and, more importantly, as a collective, as evidenced by:

- Group revenues approaching £54,000k.
- Record new business performance with sales orders up 30% vs prior year.
- Refinancing to repay all shareholder loan notes completed.
- Acquired PCMS Engineering Group, a leading condition-based monitoring business.
- Acquired Lantei Limited, an electrical testing business which provides a range of specialist services.

It's almost a year since we announced plans to open our very own training centre and I am delighted to report that we have done just that. Construction is now complete, new kit and equipment is in place and, most recently, the branding has been installed. Importantly, Covid-safe training for both existing and new colleagues is now successfully taking place in the new training centre.

We will be adding capacity to teams across the business to make sure we can maintain our industry leading service levels, with no compromise. Ongoing growth is at the top of our agenda and we will continue to do what we need to, to make sure we have the right team for our business. Our success to date is due to the hard work, loyalty and commitment of our staff and the continued support of our customers and broker partners.

We're focused on investing in our future and I am delighted that in February 2021 Inflexion, our Private Equity backers, reinvested in our business for another five years. For our company it means on-going support and investment and, most importantly, it means security for our people.

In summary, 2021 is going to be our most exciting year yet so thank you in advance to our brilliant people for helping us bring our next chapter to life.



Stewart Kay
Chief Executive Officer

British Engineering Services Topco Limited

Strategic report

The directors of British Engineering Services Topco Limited present their strategic report on the affairs of the Company and its subsidiary undertakings (the Group) together with the audited financial statements and independent auditor's report for the year ended 31 December 2020.

Results

The Group's turnover for the year ended 31 December 2020 is £53,552k (2019: £49,247k). The operating profit is £3,301k (2019: £3,580k) and loss after tax is £171k (2019: £461k loss). Management EBITDA, defined in note 23 of the financial statements is £9,868k, an increase of 23.3% on 2019 (2019: £8,006k).

With regard to the Group results, turnover, gross profit, Management EBITDA and loss before taxation have all seen considerable improvement on the prior year.

Principal activities and review of the business

The principal activity of the Group is engineering testing, inspection and certification. The engineering inspection services cover the inspection of different plant, equipment, installations and road tankers, helping customers to comply with current health and safety legislation. The testing services include mechanical and pressure testing, non-destructive testing and welding certification services to enable customers to manage risk and enhance the performance and reliability of their equipment and products. The additional services can range from carrying out pre-commissioning design approvals and surveys through to providing technical advice on equipment modifications and decommissioning.

The Group operates in a highly competitive environment with sales to direct customers and through intermediaries such as insurance brokers. The Group maintains a strong order book for the next financial year through placing a significant emphasis on the maintenance of good relationships with key customers to maximise customer retention and the securing of additional new business.

The principal activity of the Company is to act as a holding company at the top of the Group.

A review of the business is provided in the Chief Executive Officer's statement on page 3.

Section 172(1) statement

In performing their duties under section 172 of the Companies Act 2016, the directors of the Group have regard to a number of factors and stakeholder interests and remain conscious of the impact their decisions have on employees, customers, suppliers, investors, communities and the environment.

The Group's principal objectives are to maintain its position as the industry leader and pioneer of testing, inspection and certification services in the UK and the Republic of Ireland and to increase the value of British Engineering Services by generating strong, sustainable and growing cash flows across industry and economic cycles. To achieve these objectives, the Group has the following key strategies:

- Maintain health, safety, security and environmental excellence
- Build capacity and technical excellence to facilitate and accelerate growth
- Align sales activity to growth plans
- Add capability via targeted acquisitions
- Maximise profitability using operating model advantage

The directors believe these are critical long-term factors for the success of the Group. The directors' decision making has supported the implementation of the strategy which aims to operate and develop the business in a way that supports both the current and future needs. The directors strongly believe that sustainable business management and practices will contribute to long term business success and will strengthen the Group's leading position in the market. The directors ensure that the Group has sufficient resources to support its long-term growth strategy and to fund its investments.

British Engineering Services Topco Limited

Strategic report (continued)

Section 172(1) statement (continued)

The Group operates in an industry characterised by long-term relationships between stakeholders and therefore engagement with stakeholders and maintaining a reputation for high standards of service and business conduct is vital. Engaging stakeholders and developing meaningful partnerships is essential for business success. The Group engages in regular, open and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns and needs. In this way, the Group is able to integrate stakeholders' considerations.

The key decisions taken by directors during the year are as follows:

- To repay all shareholder loan notes of £5,177k and all HSBC bank loans of £32,105k.
- To drawdown £51,000k from a new Barings loan facility to repay existing shareholder and bank debt and to fund business acquisitions.
- To acquire 100% of the issued share capital of PCMSENG Group Limited, a company whose primary activities are condition based monitoring and maintenance solutions, training, consultancy and product sales. This acquisition will diversify the Group's service portfolio and help increase profitability through operating model advantages.
- To acquire 100% of the issued share capital of Lantei Limited, a company whose primary activities are electrical testing services. This acquisition will provide critical mass in Electrical testing and inspection services, as well as providing significant cross-selling opportunities across the Group customer base.
- Throughout 2020, to invest in recruitment and training of new engineers, including building a state of the art new training centre, to boost capacity and support the Group's continued growth and expansion.

Employee engagement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through regular meetings with employee union representatives and both formal and informal meetings with management.

Engagement with customers and suppliers

The Group places considerable value on having strong relationships with customers and suppliers. The Group engages in regular, open and proactive dialogue with stakeholders and their opinions are considered when making operational and strategic decisions. During the year, the Group's commercial strategy was updated with the help of external advisors, customer involvement and feedback was an important part of this process and key customers were approached to contribute their views.

Community, environment and members

The Group engages with the community and has relationships with local charities to whom it regularly contributes.

The Group monitors and seeks to reduce its impact on the environment, for example moving towards paperless communications with customers, suppliers and employees.

The directors acknowledge the need to act fairly between members of the Group.

British Engineering Services Topco Limited

Strategic report (continued)

Key performance indicators

The directors consider the key performance indicators during the financial year to be as follows:

	2020 £000	2019 £000	Change %
Turnover	53,552	49,247	8.7%
Gross profit	25,967	24,012	8.1%
Management EBITDA (*)	9,868	8,006	23.3%

* see note 23 of the financial statements

Principal risks and uncertainties and financial risk management

Business and operational risk

Continued growth in profitability is dependent on the Group continuing to attract new customers and renewing contracts of existing customers, whilst improving operational efficiencies.

The servicing of the Group's customer base requires ongoing recruitment and retention of qualified engineers. The Group is committed to being a first-class employer and employing high calibre personnel in all areas.

The Group is confident of meeting the challenges of attracting new business due to its differentiated service proposition and the enhanced level of service offerings following substantial investment in systems and infrastructure during the financial year.

To date, Brexit has had very limited impact on British Engineering Services and the Directors believe it is unlikely to exert a significant adverse impact on the Group in the future. Revenue exposure is specifically related to a limited number of customers who receive Notified Body services from our subsidiary company, British Engineering Services Limited, to comply with EU Directives and who continue to export manufactured products to the EU. Risk has been mitigated by extending relevant Notified Body appointments to our Republic of Ireland subsidiary Vertigo Inspection (ROI) Limited.

Cash flow and liquidity risk

The Group aims to mitigate liquidity risk by proactively managing the cash generation of its operations. The Group also manages liquidity risk through revolving credit facilities and long-term debt. Management considers short-term requirements against available sources of funding and taking into account forecast cash flow.

Currency risk

The Group's activities are heavily concentrated in the United Kingdom and, as such, there is minimal exposure to the financial risks of changes in foreign currency exchange rates. The Group does not use derivative financial instruments.

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group does not have a significant concentration of credit risk, with exposure spread over many customers. Credit risk is managed by trading only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

British Engineering Services Topco Limited

Strategic report (continued)

COVID-19

The Group's activities are considered to be critical to the health and safety of the UK and Republic of Ireland. Furthermore, the Health and Safety Executive (HSE) confirmed that the law for Lifting Operations and Lifting Equipment Regulations (LOLER) and Pressure Systems Safety Regulations (PSSR) remains in place and has issued guidance for carrying out thorough examination and testing of lifting and pressure equipment during the coronavirus outbreak.

The directors have clear priorities that the Group is following during the COVID-19 outbreak:

- Keep all of our people safe.
- Keep British Engineering Services and Irish Engineering Services operational and continue to provide our customers with our essential services, where it is safe to do so.
- Ensure our employees have a secure and stable future as the world comes out of this crisis.
- Meet or exceed our plans and continue to invest in the business.

As of the date of signing these financial statements, all of the Group's activities are continuing to operate as normal and the necessary business continuity procedures have been successfully implemented. Protecting our employees and ensuring that they stay healthy has been the first priority. Appropriate measures are in place to ensure that this remains the case throughout the pandemic.

The directors have undertaken a rigorous assessment of the potential ongoing impact of COVID-19 on demand for its services and the potential impact on profitability and liquidity for over 12 months from the date of signing these financial statements.

In particular, the directors have stress-tested the impact on EBITDA as a result of lower levels of activity. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that it is appropriate for the Group to prepare the financial statements on a going concern basis.

Future developments

The directors expect both Group revenues and profitability to increase in the forthcoming year as the business continues to invest in its people, systems and infrastructure in order to deliver the best service in the industry to our customers.

On 5th February 2021, Inflexion Private Equity Partners LLP re-invested in the Group to support the continued growth of the business.

Approved by the Board and signed on its behalf by:



Steven Dennison
Director
British Engineering Services Topco Limited
Unit 718, Eddington Way
Birchwood Park
Warrington
United Kingdom
WA3 6BA

4 May 2021

British Engineering Services Topco Limited

Directors' report

The directors of British Engineering Services Topco Limited present their directors' report and the audited financial statements for the year ended 31 December 2020.

Future developments

Details of future developments can be found in the strategic report on page 4 and form part of this report by cross-reference.

Dividends

No dividends can be paid or proposed (2019: £nil) to the Group's owners.

Directors

The directors, who served throughout the year and up to the date of this report, were as follows:

John Breheny	(Appointed 4 September 2020, resigned 5 February 2021)
Steven Dennison	
Edward Fraser	(Resigned 4 September 2020)
Paul Hirst	
Richard Houghton	(Resigned 5 February 2021)
Florencia Kassai	(Resigned 5 February 2021)
Stewart Kay	

Going concern

The financial statements have been prepared using the going concern basis of accounting. Further details can be found in note 1 of the financial statements.

Events after the balance sheet date

From 5 February 2021, Project Apple Topco Limited, a company incorporated in the United Kingdom, became the ultimate parent company of the Company and the Group. Funds managed by Inflexion Private Equity Partners LLP are the majority shareholders and ultimate controlling party of Project Apple Topco Limited. The registered address of Inflexion Private Equity Partners LLP is 47 Queen Anne Street, London W1G 9JG, United Kingdom

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement

Information on employee engagement can be found in the strategic report on page 5

Engagement with customers and suppliers

Information on engagement with customers and suppliers can be found in the strategic report on page 5.

British Engineering Services Topco Limited

Directors' report (continued)

Streamlined Energy and Carbon Reporting

We have reported on all sources of GHG emissions and energy usage as required under *The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008* as amended.

This SECR report covers the reporting period from 1 January 2020 to 31 December 2020.

		2020
<i>Energy use</i>		
Energy consumed - electricity (MWh)	UK operations	149
Energy consumed - gas (MWh)	UK operations	229
Energy consumed - transport fuel (MWh)	UK operations	8,004
		<hr/>
Energy consumed - total (MWh)	UK operations	8,382
		<hr/>
Energy consumed - total (MWh)	Outside UK operations	13
		<hr/>
		8,145
		<hr/>
<i>Associated greenhouse gas emissions</i>		
Scope 1 - combustion of fuel and operation of facilities (Kg CO ₂ equivalent)	UK operations	88,295
Scope 3 - emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Kg CO ₂ equivalent)	UK operations	1,810,803
		<hr/>
Total emissions - Scopes 1 and 3 (Kg CO ₂ equivalent)	UK operations	1,899,098
		<hr/>
Scope 3 - emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Kg CO ₂ equivalent)	Outside UK operations	55,225
		<hr/>
		1,954,323
		<hr/>
<i>Emission intensity</i>		
Emission intensity - Scopes 1 and 3 (Kg CO ₂ equivalent)	UK operations	3,048 Kg per FTE employee
Emission intensity - Scopes 1 and 3 (Kg CO ₂ equivalent)	Outside UK operations	2,907 Kg per FTE employee
		<hr/>
		3,044 Kg per FTE employee
		<hr/>

British Engineering Services Topco Limited

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Calculation Methodology

Energy use covers electricity, gas and fuel reimbursed to employees for business travel across all companies in the Group while under the Group's ownership.

Associated greenhouse gas emissions have been calculated using UK Government GHG Conversion Factors for Company Reporting 2020.

Emission intensity is calculated by dividing emissions by the average number of full time equivalent employees during the reporting period.

Energy efficiency actions

There are no energy efficiency improvement actions to report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP were reappointed as the Group's auditor during the year.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



Steven Dennison
Director
British Engineering Services Topco Limited
Unit 718, Eddington Way
Birchwood Park
Warrington
United Kingdom
WA3 6BA

4 May 2021

British Engineering Services Topco Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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), including FRS 102 "The Financial reporting Standard applicable in the UK and Republic of Ireland". 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 the Group and of the profit or loss of the Group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

British Engineering Services Topco Limited

Independent auditor's report to the members of British Engineering Services Topco Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of British Engineering Services Topco Limited (the parent Company) and its subsidiaries (the Group):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended; .
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

British Engineering Services Topco Limited

Independent auditor's report to the members of British Engineering Services Topco Limited (continued)

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Health and safety legislation, tax legislation and the Data Protection Act;
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

British Engineering Services Topco Limited

Independent auditor's report to the members of British Engineering Services Topco Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team and relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Accuracy of the revenue inspection model which has been addressed by testing the design and implementation of the preparation and review of the model and checking the arithmetical accuracy within. We also performed substantive testing by selecting cash receipts and confirming that these have been correctly included within the master calculation and agreed through to the invoice raised and physical contract in place.
- Accuracy of the accrued income position has been addressed by reviewing actual amounts invoiced post year-end and comparing these to the amount estimated.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the Group and of the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

British Engineering Services Topco Limited

Independent auditor's report to the members of British Engineering Services Topco Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



Rachel Argyle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

4 May 2021

British Engineering Services Topco Limited

Consolidated profit and loss account

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	3	53,552	49,247
Cost of sales		(27,585)	(25,235)
Gross profit		25,967	24,012
Distribution costs		(1,881)	(1,606)
Administrative expenses		(20,785)	(18,826)
Operating profit	23	3,301	3,580
Finance costs (net)	4	(2,687)	(4,497)
Profit/(loss) before taxation	5	614	(917)
Tax on profit/(loss)	8	(785)	456
Loss for the financial year		(171)	(461)

All activity arises from continuing operations.

British Engineering Services Topco Limited

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	2020 £000	2019 £000
Loss for the financial year	(171)	(461)
Foreign exchange loss on foreign currency net investments	(58)	(6)
Total comprehensive expense for the financial year	<u>(229)</u>	<u>(467)</u>

British Engineering Services Topco Limited

Consolidated balance sheet

As at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	10	32,861	16,851
Tangible assets	11	2,222	1,296
		<u>35,083</u>	<u>18,147</u>
Current assets			
Debtors	14	17,021	14,964
Cash at bank and in hand		10,868	3,368
Total current assets		<u>27,889</u>	<u>18,332</u>
Creditors: Amounts falling due within one year	15	(29,579)	(20,738)
Net current liabilities		<u>(1,690)</u>	<u>(2,406)</u>
Total assets less current liabilities		<u>33,393</u>	<u>15,741</u>
Creditors: Amounts falling due after more than one year	16	(49,562)	(31,681)
Provisions for liabilities		(55)	(55)
Net liabilities		<u>(16,224)</u>	<u>(15,995)</u>
Capital and reserves			
Called-up share capital	19	-	-
Share premium account	19	80	80
Foreign exchange reserve		(99)	(41)
Profit and loss account		(16,205)	(16,034)
Shareholders' deficit		<u>(16,224)</u>	<u>(15,995)</u>

The financial statements of British Engineering Services Topco Limited were approved by the board of directors and authorised for issue on 4 May 2021. They were signed on its behalf by:



Steven Dennison

Director

Registered number: 09522491

British Engineering Services Topco Limited

Company balance sheet

At 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	12	80	80
		<u>80</u>	<u>80</u>
Current assets			
Debtors	14	4	4
Total current assets		<u>4</u>	<u>4</u>
Creditors: Amounts falling due within one year	15	(83)	(82)
Net current liabilities		<u>(79)</u>	<u>(78)</u>
Total assets less current liabilities		<u>1</u>	<u>2</u>
Net assets		<u>1</u>	<u>2</u>
Capital and reserves			
Called-up share capital	19	-	-
Share premium account	19	80	80
Profit and loss account		(79)	(78)
Shareholders' funds		<u>1</u>	<u>2</u>

British Engineering Services Topco Limited recorded a loss after tax of £1k in the year ended 31 December 2020 (2019: profit of £1k). The Company has taken advantage of the s408 Companies Act 2006 exemption and thus has not prepared a separate Company statement of comprehensive income.

The financial statements of British Engineering Services Topco Limited were approved by the board of directors and authorised for issue on 4 May 2021. They were signed on its behalf by:



Steven Dennison

Director

Registered number: 09522491

British Engineering Services Topco Limited

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Called-up share capital £000	Share premium account £000	Foreign exchange reserve £000	Profit and loss account £000	Total £000
At 1 January 2019	-	80	(35)	(15,573)	(15,528)
Loss for the financial year	-	-	-	(461)	(461)
Foreign exchange loss on foreign currency net investments	-	-	(6)	-	(6)
Total comprehensive expense	-	-	(6)	(461)	(467)
At 31 December 2019	-	80	(41)	(16,034)	(15,995)
Loss for the financial year	-	-	-	(171)	(171)
Foreign exchange loss on foreign currency net investments	-	-	(58)	-	(58)
Total comprehensive expense	-	-	(58)	(171)	(229)
At 31 December 2020	-	80	(99)	(16,205)	(16,224)

British Engineering Services Topco Limited

Company statement of changes in equity

For the year ended 31 December 2020

	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2019	-	80	(79)	1
Profit for the financial year	-	-	1	1
Total comprehensive income	-	-	1	1
At 31 December 2019	-	80	(78)	2
Loss for the financial year	-	-	(1)	(1)
Total comprehensive expense	-	-	(1)	(1)
At 31 December 2020	-	80	(79)	1

British Engineering Services Topco Limited

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Net cash flows from operating activities	20	11,692	7,447
Taxation paid		(79)	(112)
Net cash flows from operating activities		<u>11,613</u>	<u>7,335</u>
Cash flows used in investing activities			
Purchase of tangible assets		(520)	(544)
Purchase of intangible assets		(2,570)	(1,925)
Acquisition of subsidiary	13	(13,716)	(2,824)
Interest received		6	13
Net cash flows used in investing activities		<u>(16,800)</u>	<u>(5,280)</u>
Cash flows used in financing activities			
Debt repayment for acquired subsidiary		(741)	-
Bank loan interest paid		(1,284)	(962)
Loan note interest paid	20	(2,282)	(5,302)
Finance lease and other interest paid		(34)	(41)
Bank loans received	20	54,000	15,400
Loan arrangement fees		(1,959)	(375)
Repayment of bank loans	20	(32,105)	(945)
Repayment of loan notes	20	(2,895)	(9,698)
Repayment of finance leases	20	(15)	(42)
Net cash flows used in financing activities		<u>12,685</u>	<u>(1,965)</u>
Net increase in cash and cash equivalents		<u>7,498</u>	<u>90</u>
Cash and cash equivalents at beginning of year		<u>3,368</u>	<u>3,319</u>
Effect of foreign exchange rate changes		2	(41)
Cash and cash equivalents at end of year		<u>10,868</u>	<u>3,368</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		10,868	3,368
Cash and cash equivalents		<u>10,868</u>	<u>3,368</u>

British Engineering Services Topco Limited

Notes to the financial statements

For the year ended 31 December 2020

1. Accounting policies

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

a. General information and basis of accounting

British Engineering Services Topco Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is British Engineering Services, Unit 718, Eddington Way, Birchwood Park, Warrington, United Kingdom, WA3 6BA.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 4 to 7.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the Companies Act 2006.

The functional currency of British Engineering Services Topco Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. The financial statements have been rounded to the nearest £000.

British Engineering Services Topco Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement.

For the year ended 31 December 2020 the following subsidiaries of the Company were entitled to exemption from audit under Section 480 of the Companies Act 2006 relating to dormant companies:

<i>Subsidiary Name</i>	<i>Companies House Registration Number</i>
British Engineering Inspection Services Limited	10162961
British Engineering Certification Services Limited	10162964

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2020. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c. Going concern

The Group's business activities, together with the principal risks and uncertainties likely to affect its future growth and performance, are set out in the strategic report on pages 4 to 7. The strategic report describes the financial performance of the Group, its cashflows, liquidity position and other financial and operational risks.

The Group manages its day-to-day working capital requirements through a combination of current account, revolving credit facilities and bank loan. The Group proactively manages cashflow to ensure obligations associated with external borrowings can be met. The directors have reviewed the trading and cashflow forecasts for the period to 30 June 2022 with reference to covenants on the external borrowing to ensure these can be complied with. The trading and cashflow forecasts are considered to be prudent and have been prepared using latest information on Group performance and expected future developments and trading. The directors have taken into account both the Group's net current liabilities and net liabilities position, and also the Group's strong cashflows and profitable trading companies.

Taking all these factors into account, including all reasonable uncertainties, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and in any case for a period of not less than 12 months from the date of signing these financial statements. Whilst there is uncertainty due to the COVID-19 outbreak, the directors have undertaken a rigorous assessment on the potential ongoing impact on profitability and liquidity, as documented in the strategic report, and concluded that it is appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

d. Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

e. Intangible assets – assets under construction

Assets under construction, are stated at cost. Assets under construction are not amortised but provision is made for any impairment.

For internally generated assets under construction, research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects and level of certainty that they lead to future economic benefits. In such cases, the identifiable expenditure is capitalised and provision is made for any impairment.

f. Intangible assets – IT software

IT Software is stated at cost and amortised in equal annual instalments over a period of five years which is the estimated useful economic life. Provision is made for any impairment.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

f. Intangible assets – IT software (continued)

For internally generated IT Software, research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects and level of certainty that they lead to future economic benefits. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit. This period is five years. Provision is made for any impairment.

g. Intangible assets – patents and trademarks

Separately acquired patents and trademarks, acquired as part of a business combination, are measured at fair value at the acquisition date and amortised in equal annual instalments over a period of five years which is their estimated useful economic life. Provision is made for any impairment.

h. Intangible assets – other intangibles

Separately acquired customer lists, acquired as part of a business combination, are measured at fair value at the acquisition date and amortised in equal annual instalments over a period of 10 years which is their estimated useful economic life. Provision is made for any impairment.

Other intangible assets are stated at cost and amortised in equal annual instalments over a period of five years which is their estimated useful economic life. Provision is made for any impairment.

i. Intangible assets – Licences

Licences are stated at cost and amortised in equal annual instalments over the duration of the licence which is the estimated useful economic life. Provision is made for any impairment.

j. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold property	- shorter of 50 years or the remaining lease term
Fixtures and fittings	- 3 years
IT equipment	- 3 years
Leasehold improvements	- shorter of 5 years or the remaining lease term
Motor vehicles	- shorter of 5 years or the remaining lease term
Plant and machinery	- 3 to 10 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

k. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

k. Financial instruments (continued)

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

k. Financial instruments (continued)

(ii) Investments

Investments in subsidiaries are measured at cost less impairment.

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

l. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

m. Taxation

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

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

m. Taxation (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

n. Turnover

Turnover is stated net of VAT and trade discounts. Contracts for inspection services are invoiced annually in advance and also in arrears and turnover is recognised evenly over the period of the contract. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. All other services are invoiced in arrears and turnover is recognised in the period in which the services are provided in accordance with the stage of completion of the contract at the balance sheet date.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

o. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits 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 in the balance sheet.

p. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Other exchange differences are recognised in profit or loss in the period in which they arise.

q. Foreign exchange reserve

Foreign subsidiaries of the Company are consolidated into the Group financial statements using the average exchange rate for the period for items presented on the profit and loss account and the closing rate for items presented on the balance sheet. Translation differences arising from the net investment in foreign operations are taken to the foreign exchange reserve.

r. Leases

The Group as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

s. Provisions

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 the effect of the time value of money is material).

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.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

t. Related party transactions

In accordance with Section 33 of FRS 102 the company has not disclosed details of transactions with fellow wholly owned undertakings within the British Engineering Services Topco Limited group of companies.

u. Exceptional costs

Exceptional costs are those where such presentation is relevant to an understanding of underlying financial performance of the Group. Further details and definitions are provided in note 23 of the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

There are no critical judgements made by directors in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Turnover

An analysis of the Group's turnover by class of business is set out below.

	2020 £000	2019 £000
Turnover:		
Inspection	42,994	39,344
Testing	2,279	2,972
Certification	5,100	5,381
Road tanker inspections	1,826	887
Lantei - electrical inspections	512	-
PCMS - condition based monitoring	211	-
Other	630	663
	<u>53,552</u>	<u>49,247</u>

An analysis of the Group's turnover by geographical market is set out below.

	2020 £000	2019 £000
Turnover:		
United Kingdom	50,216	46,076
Republic of Ireland	3,336	3,171
	<u>53,552</u>	<u>49,247</u>

An analysis of the Group's turnover is as follows:

	2020 £000	2019 £000
Rendering of services	52,922	48,584
Other	630	663
Total revenue	<u>53,552</u>	<u>49,247</u>

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

4. Finance costs (net)

	2020 £000	2019 £000
Interest payable and similar expenses	2,694	4,510
Interest receivable and similar income	(7)	(13)
	<u>2,687</u>	<u>4,497</u>

Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on bank loans and overdrafts	1,523	972
Interest payable on loan notes	539	1,648
Interest payable on finance leases	1	1
Interest payable other	30	27
Amortisation of issue costs on bank loans	239	1,165
Amortisation of issue costs on loan notes	362	678
Other finance costs	-	19
	<u>2,694</u>	<u>4,510</u>

Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from bank	6	13
Other finance income	1	-
	<u>7</u>	<u>13</u>

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

5. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of tangible fixed assets (note 11)	487	609
Amortisation of goodwill (note 10)	1,235	1,066
Amortisation of other intangible assets (note 10)	3,330	2,421
Operating lease rentals	157	215
Foreign exchange (gain)/loss	(1)	5
	<u> </u>	<u> </u>

Amortisation of intangible assets is included in administrative expenses.

The analysis of the auditor's remuneration is as follows:

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	4	4

Fees payable to the Company's auditor and its associates for other services to the Group:

The audit of the Company's subsidiaries	86	50
Total audit fees	<u>90</u>	<u>54</u>
Audit related assurance services	-	2
Total assurance services	<u>-</u>	<u>2</u>
Total audit fees and assurance services	<u>90</u>	<u>56</u>
Corporate finance services	220	-
Total non-audit fees	<u>220</u>	<u>-</u>

No services were provided pursuant to contingent fee arrangements

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

6. Staff numbers and costs

The monthly average number of employees employed by the Group (including executive directors) was:

	2020 Number	2019 Number
Fee earners	473	412
Administration	169	165
	<u>642</u>	<u>577</u>

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	30,928	27,807
Social security costs	3,402	3,140
Other pension costs	2,374	2,089
	<u>36,704</u>	<u>33,036</u>

There are no employees employed by the Company other than Directors.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Directors' remuneration and transactions

	2020 £000	2019 £000
<i>Directors' remuneration</i>		
Emoluments	853	866
Company contributions to defined contribution pension schemes	8	11
	<u>861</u>	<u>877</u>
	Number	Number
The number of directors who:		
Are members of a defined contribution pension scheme	<u>1</u>	<u>1</u>
	2020 £000	2019 £000
Remuneration of the highest paid director:		
Emoluments	350	348
Company contributions to defined contribution pension schemes	-	-
	<u>350</u>	<u>348</u>

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

8. Tax on profit/(loss)

The tax charge/(credit) comprises:

	2020 £000	2019 £000
Current tax on profit/(loss)		
Current year - UK corporation tax	70	27
Prior year – UK corporation tax adjustment	(32)	5
Total current tax	38	32
Deferred tax		
Current year - accelerated capital allowances	76	74
Current year - tax losses available	16	3
Current year - short term timing differences	93	(128)
	185	(51)
Prior year - accelerated capital allowances	67	-
Prior year - tax losses available	193	(176)
Prior year - short term timing differences	302	(261)
	562	(437)
Total deferred tax (see note 17)	747	(488)
Total tax charge/(credit) on profit/(loss)	785	(456)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The UK deferred tax asset as at 31 December 2020 has been calculated at 19% (31 December 2019: 17%).

There is no expiry date on timing differences, unused tax losses or tax credits.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

8. Tax on profit/(loss) (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2020 £000	2019 £000
Profit/(loss) before tax	614	(917)
Tax on Group profit/(loss) at standard UK corporation tax rate of 19.00% (2019: 19.00%)	117	(174)
Effects of:		
- Permanent differences	8	44
- Expenses not deductible for tax purposes	379	118
- Current tax prior year adjustment	(32)	5
- Deferred tax prior year adjustment	562	(437)
- Reduction in UK corporation tax rate	-	5
- Difference in deferred tax rate	(179)	-
- Difference in overseas tax rates	(37)	(17)
- Other	(33)	-
Total tax on profit/(loss)	785	(456)

9. (Loss)/profit attributable to the Company

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the Company. The (loss)/profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

10. Intangible fixed assets

	Group						
	Goodwill £000	Assets under construction £000	IT software £000	Patents and trademarks £000	Licences £000	Other intangibles £000	Total £000
Cost							
At 1 January 2020	13,088	404	5,533	280	1,395	7,470	28,170
Additions	-	1,226	82	-	486	1	1,795
Acquisition of subsidiaries (note 13)	18,708	-	-	-	-	72	18,780
Transfers	-	(1,570)	1,485	-	85	-	-
Foreign exchange differences	72	-	-	-	-	-	72
At 31 December 2020	31,868	60	7,100	280	1,966	7,543	48,817
Amortisation							
At 1 January 2020	5,049	-	2,241	233	401	3,395	11,319
Charge for the year	1,235	-	1,790	47	692	801	4,565
Foreign exchange differences	72	-	-	-	-	-	72
At 31 December 2020	6,356	-	4,031	280	1,093	4,196	15,956
Net book value							
At 31 December 2020	25,512	60	3,069	-	873	3,347	32,861
At 31 December 2019	8,039	404	3,292	47	994	4,075	16,851

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

11. Tangible fixed assets

Group	Group						Total £000
	Leasehold property £000	Plant and machinery £000	IT equipment £000	Fixtures and fittings £000	Motor vehicles £000	Leasehold improvements £000	
Cost							
At 1 January 2020	462	600	1,602	467	90	246	3,467
Additions	-	237	306	-	-	485	1,028
Acquisition of subsidiaries	-	134	50	2	64	135	385
Disposals	-	-	(33)	-	-	-	(33)
At 31 December 2020	462	971	1,925	469	154	866	4,847
Depreciation							
At 1 January 2020	34	382	1,090	417	63	185	2,171
Charge for the year	9	132	235	38	19	54	487
Disposals	-	-	(33)	-	-	-	(33)
At 31 December 2020	43	514	1,292	455	82	239	2,625
Net book value							
At 31 December 2020	419	457	633	14	72	627	2,222
At 31 December 2019	428	218	512	50	27	61	1,296

The net book value of assets held under finance leases included above is £72k (2019: £27k) and relates to motor vehicles.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Fixed asset investments

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Subsidiary undertakings	-	-	80	80

Principal Group investments

The Company and the Group have investments in the following subsidiary undertakings:

Subsidiary undertakings	Registered office	Principal activity	Shareholding %*
British Engineering Services Finco Limited +	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Holding company	100
British Engineering Services Holdco Limited	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Holding company	100
British Engineering Services Limited	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Trading company	100
UK Road Tanker Inspection Limited	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Trading company	100
Lantei Limited	Unit 718 Eddington Way, Birchwood Park, Warrington, WA3 6BA	Trading Company	100
British Engineering Testing Services Limited	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Holding company	100
Nortest Limited	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Trading company	100
British Engineering Inspection Services Limited	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Dormant	100
British Engineering Certification Services Limited	Unit 718, Eddington Way, Birchwood Park, Warrington, WA3 6BA	Dormant	100
Vertigo Inspection (ROI) Limited	First Floor, Riverside Two, 43-49 Sir John Rogerson's Quay, Dublin 2	Trading company	100

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Fixed asset investments (continued)

Principal Group investments (continued)

Subsidiary undertakings	Registered office	Principal activity	Shareholding %*
PCMSENG Group Limited	Unit 718 Eddington Way, Birchwood Park, Warrington, United Kingdom, WA3 6BA	Holding company	100
Practice Care Maintenance Services Limited	Unit 718 Eddington Way, Birchwood Park, Warrington, United Kingdom, WA3 6BA	Trading Company	100
Vibration Control Limited	Unit 718 Eddington Way, Birchwood Park, Warrington, United Kingdom, WA3 6BA	Trading Company	100
Vibrotech Reliability Services Limited	Unit 718 Eddington Way, Birchwood Park, Warrington, United Kingdom, WA3 6BA	Trading Company	100
VCI Holdings Limited	Unit 718 Eddington Way, Birchwood Park, Warrington, United Kingdom, WA3 6BA	Holding company	100
V.C.I. Consultancy Limited	Unit 718 Eddington Way, Birchwood Park, Warrington, United Kingdom, WA3 6BA	Trading Company	100

+ Held directly by British Engineering Services Topco Limited.

* Ordinary shares

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

13. Business combinations

Acquisition of PCMSENG Group Limited by British Engineering Services Holdco Limited on 30 November 2020

On 30 November 2020 the Group acquired the PCMSENG Group Limited for an initial consideration of £3,561k and contingent consideration of £726k, giving total consideration of £4,287k. The acquisition has been accounted for under the acquisition method. The following table set out the book value of the identifiable assets and the liabilities acquired and their fair value to the Group:

	Carrying value £000s	Fair value adjustment £000s	Fair value to Group £000s
Fixed assets			
Property, plant and equipment	314	(171)	143
Current assets			
Cash and cash equivalents	338	-	338
Inventories	18	(18)	-
Trade debtors	729	-	729
Prepayments and other debtors	46	-	46
Total assets	<u>1,445</u>	<u>(189)</u>	<u>1,256</u>
Liabilities			
Trade creditors	(253)	-	(253)
Accruals and deferred income	(139)	-	(139)
Other creditors	(44)	-	(44)
Finance leases	(81)	-	(81)
VAT liability	(151)	-	(151)
Current tax liability	(116)	-	(116)
Bank loans	(436)	-	(436)
Deferred consideration	(299)	-	(299)
Provisions	(24)	-	(24)
Deferred tax	(26)	(17)	(43)
Total liabilities	<u>(1,569)</u>	<u>(17)</u>	<u>(1,586)</u>
Total identifiable net liabilities	<u>(124)</u>	<u>(206)</u>	<u>(330)</u>
Goodwill			4,849
			<u>4,519</u>
Satisfied by			
Initial consideration			3,561
Contingent consideration			726
			<u>4,287</u>
Costs of acquisition			232
			<u>4,519</u>

In the year ended 31 December 2020, turnover of £211k and profit after taxation of £32k was included in the Group's consolidated profit and loss account in respect of PCMSENG Group Limited since the acquisition date.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

13. Business combinations (continued)

Acquisition of Lantei Limited by British Engineering Services Holdco Limited on 11 December 2020

On 11 December 2020 the Group acquired Lantei Limited for an initial consideration of £11,359k and contingent consideration of £3,786k, giving total consideration of £15,145k. The acquisition has been accounted for under the acquisition method. The following table set out the book value of the identifiable assets and the liabilities acquired and their fair value to the Group.

	Carrying value £000s	Fair value adjustment £000s	Fair value to Group £000s
Fixed assets			
Tangible assets	285	(42)	243
Intangible assets	87	(15)	72
Current assets			
Cash and cash equivalents	785	-	785
Inventories	114	(114)	-
Trade debtors	1,752	(126)	1,626
Prepayments and other debtors	1,785	(22)	1,763
Total assets	4,808	(319)	4,489
Liabilities			
Trade creditors	(719)	-	(719)
Accruals and deferred income	(760)	(51)	(811)
Other creditors	(287)	-	(287)
Finance leases	(9)	-	(9)
VAT liability	(653)	-	(653)
Current tax liability	(138)	-	(138)
Deferred tax	(38)	-	(38)
Total liabilities	(2,604)	(51)	(2,655)
Total identifiable net assets	2,204	(370)	1,834
Goodwill			13,858
			15,692
Satisfied by			
Initial consideration			11,359
Contingent consideration			3,786
			15,145
Costs of acquisition			547
			15,692

In the year ended 31 December 2020, turnover of £512k and profit after taxation of £57k was included in the Group's consolidated profit and loss account in respect of Lantei Limited since the acquisition date.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

13. Business combinations (continued)

The total cost of acquisitions of £20,211k less cash acquired of £1,123k gives rise to a net acquisitions cost of £19,088k. The cashflow statement on page 22 shows cash outflow on acquisition of subsidiaries of £13,716k. The variance of £5,372k relates to contingent consideration and other costs of acquisition that are payable after 31 December 2020.

14. Debtors

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
<i>Amounts falling due after more than one year:</i>				
Deferred tax (note 17)	1,246	2,073	-	-
<i>Amounts falling due within one year:</i>				
Trade debtors	9,709	7,678	-	-
Prepayments and accrued income	5,620	3,544	-	-
Amounts owed by Group undertakings	-	-	4	4
Other debtors	446	1,669	-	-
	<u>17,021</u>	<u>14,964</u>	<u>4</u>	<u>4</u>

Amounts owed by Group undertakings are interest bearing and repayable on demand.

15. Creditors – amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade creditors	1,422	924	-	-
Accruals and deferred income	20,478	13,450	-	-
Amounts owed to group undertakings	-	-	83	82
Obligations under finance leases	42	11	-	-
Bank loans	-	1,924	-	-
Bank loans - accrued interest	218	-	-	-
Issue costs on bank loans	-	(73)	-	-
Issue costs on loan notes	-	(55)	-	-
Corporation tax	260	45	-	-
VAT	4,223	1,354	-	-
Other creditors	2,936	3,158	-	-
	<u>29,579</u>	<u>20,738</u>	<u>83</u>	<u>82</u>

Finance leases are secured against the assets to which they relate.

Amounts owed to Group undertakings are interest bearing and repayable on demand.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

16. Creditors – amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loans	51,000	27,181	-	-
Issue costs on bank loans	(1,887)	(206)	-	-
Loan notes	-	2,895	-	-
Loan notes - accrued interest	-	1,762	-	-
Issue costs on loan notes	-	(184)	-	-
Obligations under finance leases	45	-	-	-
Other creditors	404	233	-	-
	<u>49,562</u>	<u>31,681</u>	<u>-</u>	<u>-</u>

Finance leases are secured against the assets to which they relate.

HSBC Bank loans of £29,105k were repaid during the year.

On 3 March 2020 a £3,000k HSBC revolving credit facility was drawn, which was repaid on 3 July 2020.

On 4 December 2020 a new bank loan facility with Barings of £51,000k was completed.

The Barings loan has a 7 year term with inception date of 4 December 2020 and termination date of 4 December 2027. Interest is payable at a variable rate of LIBOR + 5.25% on the principal amount.

On 4 December 2020 loan notes of £2,895k and loan note accrued interest of £2,282k were repaid totalling £5,177k.

Issue costs on bank loans and loan notes were amortised over the duration of the respective loans.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

16. Creditors – amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loans (including accrued interest)				
On demand or within one year	218	1,924	-	-
Between one and two years	-	2,549	-	-
Between two and five years	-	24,632	-	-
After five years	51,000	-	-	-
	<u>51,218</u>	<u>29,105</u>	<u>-</u>	<u>-</u>
Loan notes (including accrued interest)				
Between two and five years	-	4,657	-	-
	<u>-</u>	<u>4,657</u>	<u>-</u>	<u>-</u>
Finance leases				
On demand or within one year	42	11	-	-
Between one and two years	30	-	-	-
Between two and five years	15	-	-	-
	<u>87</u>	<u>11</u>	<u>-</u>	<u>-</u>
Total borrowings including finance leases				
On demand or within one year	260	1,935	-	-
Between one and two years	30	2,549	-	-
Between two and five years	15	29,289	-	-
After five years	51,000	-	-	-
	<u>51,305</u>	<u>33,773</u>	<u>-</u>	<u>-</u>

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

17. Deferred tax

	2020 £000	2019 £000
<i>Deferred tax</i>		
Brought forward	2,073	1,585
(Debited)/credited to profit and loss account	(747)	488
Acquisition of subsidiaries	(80)	-
Carried forward	<u>1,246</u>	<u>2,073</u>

Deferred tax is recognised as follows:

	2020 £000	2019 £000
Group		
Accelerated capital allowances	(109)	76
Tax losses available	1,312	1,559
Other timing differences	43	438
Deferred tax asset	<u>1,246</u>	<u>2,073</u>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group. The directors have reviewed the Group's financial forecasts and believe the deferred tax asset is recoverable.

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

18. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group	
	2020	2019
	£000	£000
Financial assets		
Measured at undiscounted amount receivable		
• Trade and other debtors (see note 14)	10,155	9,347
	<u>10,155</u>	<u>9,347</u>
Financial liabilities		
Measured at amortised cost		
• Obligations under finance leases (see note 15, 16)	87	11
• Bank loans plus accrued interest (see note 15, 16)	51,218	29,105
• Issue costs on bank loans (see note 15, 16)	(1,887)	(279)
• Loan notes plus accrued interest (see note 16)	-	4,657
• Issues costs on loans notes payable (see note 15, 16)	-	(239)
Measured at undiscounted amount payable		
• Trade and other creditors (see note 15, 16)	4,762	4,315
	<u>54,180</u>	<u>37,570</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	2020	2019
	£000	£000
Interest expense		
Total interest expense for financial liabilities at amortised cost	<u>2,693</u>	<u>4,510</u>

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

19. Called-up share capital

The Company has four classes of ordinary shares as follows:

Share class	Right to fixed income
A Ordinary Shares	None
B1 Ordinary Shares	None
B2 Ordinary Shares	None
C Ordinary Shares	Annual, non-compounding cumulative dividend

	2020 £000	2019 £000
Allotted, called-up and fully-paid		
80,000 A ordinary shares of £0.001 each	-	-
19,998 B1 ordinary shares of £0.001 each	-	-
2 B2 ordinary shares of £0.001 each	-	-
20,000 C ordinary shares of £0.01 each	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

<i>Share capital movements:</i>	A ordinary shares Number	B1 ordinary shares Number	B2 ordinary shares Number	C ordinary shares Number
At 31 December 2019	80,000	19,998	2	20,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	80,000	19,998	2	20,000
	<hr/>	<hr/>	<hr/>	<hr/>

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

20. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2020 £000	2019 £000
Operating profit	3,301	3,580
Adjustment for:		
Depreciation and amortisation	5,052	4,096
Operating cash flow before movement in working capital	8,353	7,676
Decrease in debtors	1,281	(230)
Increase in creditors	2,058	1
Cash generated from operations	11,692	7,447

Reconciliation of net debt:

	1 January 2020 £000	Cash flows £000	Acquisitions £000	Other non-cash changes £000	Changes in exchange rates £000	31 December 2020 £000
Cash at bank and in hand	3,368	7,498	-	-	2	10,868
Bank loans	(29,105)	(21,455)	(440)	(218)	-	(51,218)
Other loans	-	301	(301)	-	-	-
Loan notes and accrued interest on loan notes	(4,657)	5,177	-	(520)	-	-
Finance leases	(11)	15	(90)	(1)	-	(87)
Net debt	(30,405)	(8,464)	(831)	(739)	2	(40,437)

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

21. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£000	£000
Group		
Payable within one year	157	221
Payable between one and five years	797	286
Payable after five years	703	-
	<u>1,657</u>	<u>507</u>
Company		
Payable within one year	-	-
Payable between one and five years	-	-
Payable after five years	-	-
	<u>-</u>	<u>-</u>

The lease commitment at 31 December 2020 comprises rental of properties and photocopiers.

22. Employee benefits

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2020 was £2,374k (2019: £2,089k).

23. Reconciliation of operating profit to Management EBITDA

	2020	2019
	£000	£000
Group		
Operating profit (see consolidated P&L on page 16)	3,301	3,580
Exceptional costs - restructuring	226	-
- aborted refinancing costs	661	-
- investor costs	294	294
- strategic acquisition costs	186	-
- onerous leases	81	-
- other	67	36
Operating costs - amortisation	4,565	3,487
- depreciation	487	609
Management EBITDA	<u>9,868</u>	<u>8,006</u>

British Engineering Services Topco Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

23. Reconciliation of operating profit to Management EBITDA (continued)

Management EBITDA is stated as operating profit before exceptional costs, amortisation and depreciation.

Exceptional costs are those where such presentation is relevant to an understanding of underlying financial performance. The Group includes the following costs as exceptional costs:

Restructuring:	Organisational and personnel restructuring costs.
Aborted refinancing costs:	Costs associated with an aborted debt refinancing process.
Investor costs:	Investor costs specific to the current ownership structure of the Group.
Strategic acquisition costs:	Personnel costs associated with strategic merger and acquisitions activity outside of underlying trading performance.
Onerous lease costs:	Exceptional non-recurring onerous lease costs for which there is no economic benefit to the Group.
Other:	Other exceptional or non-recurring costs outside of underlying trading performance.

24. Related party transactions

The total remuneration for key management personnel for the year totalled £861k (2019: £877k), being remuneration disclosed in note 7.

Loan notes plus accrued interest of £nil are payable to a director, Richard Houghton (2019: £175k). On 4 December 2020 loan notes plus accrued interest of £195k were repaid to a Director, Richard Houghton.

Loan notes plus accrued interest of £nil are payable to a director, Stewart Kay (2019: £21k). On 4 December 2020 loan notes plus accrued interest of £24k were repaid to a Director, Stewart Kay.

25. Ultimate parent company and controlling party

At the balance sheet date, the largest and smallest group in which the results of the Company are consolidated is that headed by British Engineering Services Topco Limited. Funds managed by Inflexion Private Equity Partners LLP are the majority shareholders and ultimate controlling party of British Engineering Services Topco Limited. The registered address of Inflexion Private Equity Partners LLP is 47 Queen Anne Street, London W1G 9JG, United Kingdom.

On 5 February 2021, Project Apple Topco Limited became the ultimate parent company of the Company. Funds managed by Inflexion Private Equity Partners LLP are the majority shareholders and ultimate controlling party of Project Apple Topco Limited. The registered address of Inflexion Private Equity Partners LLP is 47 Queen Anne Street, London W1G 9JG, United Kingdom