Registration number: 05856213

MEARS

Manchester Working Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2019

Manchester Working Limited

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Manchester Working Limited

Company Information

Directors	M S Bennett D J Miles A C M Smith P R Hindle P Baldwin C E Middlemass B R Westran
Company secretary	B R Westran
Registered office	1390 Montpellier Court Gloucester Business Park Brockworth Gloucester GL3 4AH
Solicitors	BPE St James' House St James' Square Cheltenham Gloucestershire GL50 3PR
Bankers	Barclays Bank PLC Corporate Banking 4th Floor Bridgewater House Counterslip, Finzels Reach Bristol BS1 6BX
Auditors	Grant Thornton UK LLP Chartered Accountants 30 Finsbury Square London EC2A 1AG

Strategic Report for the Year Ended 31 March 2019

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

Fair review of the business

The results for the Company show turnover of £13,631,000 (2018: £21,984,000) and operating profit of £52,000 (2018: £541,000).

On 31 August 2006, Manchester Working Limited entered into a Framework Agreement for the provision of repair and maintenance services to housing stock and public buildings with Manchester City Council ("MCC") and Northwards Housing Limited. The Company was established as a joint venture partnership between Morrison Facilities Services Limited and MCC for the purpose of delivering maintenance services to social housing stock and public buildings. In accordance with the Framework Agreement, a number of Public Sector Partnering Contracts or Work Streams were entered into including for Housing Repair and Maintenance and Public Works. Revenues have declined over recent years, with the cessation of the Housing Repair and Maintenance Contract in March 2017. The Public Buildings contract with Manchester City Council expired in 2017. On instruction from MCC, Manchester Working Limited continued to provide services until April 2019.

A dispute has crystallised between the Company and MCC and the Company has taken steps to commence legal action to recover sums in excess of £2.0 million. The Directors have recognised a value of £1.575 million within the results for the 2019 year.

Given that Manchester Working Limited and MCC did not reach formal agreement as to the terms of the contractual relationship, the Company is entitled to be paid a reasonable sum for the works delivered, which will be assessed during the forthcoming legal process.

The Company has two Non-Executive Directors who are nominated by MCC under the terms of the Shareholder Agreement. The MCC appointed Non-Executives have raised their concerns in respect of the legal action being taken against MCC and that, given the inherent uncertainty within any litigation, there could be merit in recognising a lower claim value within the financial statements. Whilst the majority of Directors do not hold this opinion, the MCC appointed Non-Executives requested that their concerns be reflected within the financial statements.

The Decent Homes Procure-plus framework has now ended, however, Northwards Housing, who operate this scheme, have placed orders worth circa £14.0 million which will take until May 2021 to complete. The Company has no visibility of revenues beyond that point in time, and it is currently anticipated that once the current capital works are completed and the legal claim has been concluded, that the company will cease trading.

The Company is reporting net assets of £5.5 million and strong cash balances. The Directors are confident that the Company has adequate resources to complete the remaining order book and secure settlement on all the working capital balances.

Principal risks and uncertainties

The effective management of risks is a key feature to the continuing success of our Company. Our approach is to identify principal risks and robustly mitigate the impact of these risks through a Group-wide risk management process.

Strategic Report for the Year Ended 31 March 2019 (continued)

- ***Macro economy***
  Our primary market is subject to government legislation and is dependent on the political environment, local or national, including public sector, policy and funding. Any changes in policy or legislation that reduces expenditure during the life of contracts could have a detrimental effect on the Company's business. Having an awareness of, and being responsive to, market developments by, for example, developing managed insourcing and Joint Venture products to give choice to clients, is essential to mitigate these risks.

- ***Reputation***
  The ultimate success of the company relies upon maintaining a positive reputation in the public and amongst all stakeholders. Negative actions, behaviour, service and results will damage the business reputation and will affect the future of our Company. This includes risk of negative publicity from actions of employees and suppliers. We are dependent on our strong management team and a skilled and motivated workforce, otherwise the delivery of business objectives will be jeopardised.

- ***Liquidity***
  There is a noticeable increase in client and market focus on the financial strength of our trading due to a number of main peer contractors going into administration. Various stakeholders require reassurance that the Company has strong liquidity risk management including access to the Group's long term funding facility agreement and the generation of sufficient cash from trading.

  Risks arise from short term cash flow movements and renewal risk on maturity of facilities. The Company is part of a Group banking facility. The Group's bank funding facility was recently extended to service the Group's needs until November 2022.

  Both short term and long term liquidity are monitored through the use of various tools including cashflow forecasts and proactive response to variances identified.

- ***Integrity, ethics, anti-bribery and corruption***
  There are inherent risks of bribery, fraud and corruption in some of the sectors we work in. It is important that we have an internal control framework and means of communication to be pro-active where any risks materialise.

Key Performance Indicators (KPIs)

The Directors of Mears Group PLC manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is neither necessary nor appropriate for an understanding of the development, performance and position of the Company. Details of the development, performance and position of the Company are included within the Annual Report of Mears Group PLC, the ultimate parent Company.

Approved by the Board on 9 March 2020 and signed on its behalf by:

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A C M Smith
Director

Directors' Report for the Year Ended 31 March 2019

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

Directors' of the company

The directors, who held office during the year, were as follows:

C A Culley (resigned 1 October 2019)

D J Miles

A C M Smith

P G Andrews (resigned 12 August 2019)

A Wilson (resigned 29 March 2019)

The following directors were appointed after the year end:

M S Bennett (appointed 13 August 2019)

P R Hindle (appointed 2 October 2019)

P Baldwin (appointed 29 January 2020)

C E Middlemass (appointed 29 January 2020)

B R Westran (appointed 29 January 2020)

Principal activity

The principal activity of the company is the provision of a full housing management service, predominately to Local Authorities and other Registered Providers of Social Housing.

Risk management

Objectives and policies

The effective management of risk is a key feature to the continuing success of our Company. Our approach is to identify principal risks and robustly mitigate the impact of these risks through a Group-wide risk management process.

Risks

The Company is part of a group which has a single approach to managing risk. The Group-wide risk management process is set out in more detail in the Corporate Governance Statement of the Group financial statements. Details of specific risks faced by the Company are set out in the Strategic Report.

Employment of disabled persons

Applications for employment by disabled employees are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue.

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

Directors' Report for the Year Ended 31 March 2019 (continued)

Employee involvement

The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company.

This is achieved through consultations with employee representatives and a Company newsletter.

The Company has received recognition under the Investors in People scheme and continues to involve its staff in the future development of the business.

Going concern

Mears Group PLC, the parent company, has a centralised treasury arrangement and so shares banking arrangements with its subsidiaries.

After making enquiries, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements. In making their enquiries, the Directors considered a period of one year and the forecasts used therefore covered the same period. The Company will have the support of its ultimate parent company, Mears Group PLC, for a period of twelve months from the date when the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

Grant Thornton UK LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006.

Approved by the Board on 9 March 2020 and signed on its behalf by:

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A C M Smith
Director

Manchester Working Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Manchester Working Limited

Opinion

We have audited the financial statements of Manchester Working Limited (the 'Company') for the year ended 31 March 2019, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Manchester Working Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors in preparation of the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report to the Members of Manchester Working Limited (continued)

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.

Grant Thornton UK LLP
....
Elizabeth Collins (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP, Statutory Auditor
London

9 March 2020

Manchester Working Limited

Profit and Loss Account for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	13,631	21,984
Cost of sales		(8,523)	(16,785)
Gross profit		5,108	5,199
Administrative expenses		(5,056)	(4,658)
Operating profit	5	52	541
Income from participating interests		153	-
Interest payable and similar charges	6	(28)	(1)
Profit before tax		177	540
Tax on profit on ordinary activities	10	4	(128)
Profit for the year		181	412

The above results were derived from continuing operations.

Manchester Working Limited

(Registration number: 05856213)
Balance Sheet as at 31 March 2019

	Note	31 March 2019 £ 000	31 March 2018 £ 000
Fixed assets			
Intangible assets	13	18	23
Tangible assets	12	35	47
		53	70
Current assets			
Debtors	14	4,900	15,219
Cash at bank and in hand		6,294	233
		11,194	15,452
Creditors: Amounts falling due within one year			
Trade and other payables	15	(5,027)	(10,170)
Income tax liability	10	-	(88)
Creditors: Amounts falling due within one year		(5,027)	(10,258)
Net current assets		6,167	5,194
Total assets less current liabilities		6,220	5,264
Creditors: Amounts falling due after more than one year			
Amounts owed to related parties	15	(775)	-
Net assets		5,445	5,264
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account		5,444	5,263
Shareholders' funds		5,445	5,264

Approved by the Board on 9 March 2020 and signed on its behalf by:

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A C M Smith
Director

The notes on pages 13 to 25 form an integral part of these financial statements.

Manchester Working Limited

Statement of Changes in Equity for the Year Ended 31 March 2019

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2018	1	5,263	5,264
Profit for the year	-	181	181
Total comprehensive income	-	181	181
At 31 March 2019	1	5,444	5,445

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2017	1	4,851	4,852
Profit for the year	-	412	412
Total comprehensive income	-	412	412
At 31 March 2018	1	5,263	5,264

The notes on pages 13 to 25 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 March 2019

1 General information

The company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

The address of its registered office is:
1390 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester
GL3 4AH
United Kingdom

These financial statements were authorised for issue by the Board on 9 March 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying judgements 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.

Basis of preparation

The Company has transitioned from FRS 102 to FRS 101 for all periods presented. In the transition to FRS 101, the Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 21. The financial statements have been prepared on the historical cost basis. The financial statements are presented in Sterling (£).

Going concern

Mears Group PLC, the parent company, has a centralised treasury arrangement and so shares banking arrangements with its subsidiaries.

After making enquiries, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements. In making their enquiries, the Directors considered a period of one year and the forecasts used therefore covered the same period. The Company will have the support of its ultimate parent company, Mears Group PLC, for a period of twelve months from the date when the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019. The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) The requirements of IFRS 7 Financial Instruments: Disclosures;
b) The requirements of IFRS 13 Fair Value Measurement;
c) The requirements of IFRS 15 Revenue from Contracts with Customers;
d) The requirements of IFRS 16 Leases;
e) The requirements of paragraph 58 of IFRS 16;
f) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
(iii) paragraph 118(e) of IAS 38 Intangible Assets;
g) The requirements of IAS 1 Presentation of Financial Statements;
h) The requirements of IAS 7 Statement of Cash Flows;
i) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
j) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
k) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

New standards, interpretations and amendments effective

The most significant changes in accounting policies from the previous year were the introduction of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. The accounting policies remain otherwise unchanged from the previous year.

No material differences arose as a result of these changes in accounting policy.

Turnover

IFRS 15 'Revenue from Contracts with Customers' replaces the previous measurement standards IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 has been applied using the modified retrospective approach on transition which results in an adjustment to the opening balance of equity at 1 January 2018 and no restatement of the prior period. The scope of the transitional adjustment is all contracts with customers which span the 1 January 2018 transition date. For the comparative period, the financial statements are reported under the aforementioned accounting standards, IAS 18 and IAS 11.

IFRS 15 provides a single, principles-based, five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction assets. The detail below sets out the principal types of contract and how the revenue is recognised in accordance with IFRS 15.

The contracts with customers in Housing have a wide variation of goods and services being provided to customers with differing performance obligations and levels of complexity. IFRS 15 does not apply to lease contracts within the scope of IAS 17 'Leases'. None of the Company's contracts are considered to have a significant financing component.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Schedule of rates ("SOR") contracts

These contracts are primarily for repairs and maintenance services. Revenue is derived using a fixed pricing schedule, which allows each job to be identified and valued. This pricing schedule is referred to as the SOR, which determines the transaction price. Each work order represents a performance obligation and as the customer controls the asset being enhanced through the works, the performance obligation is satisfied over time. The stage of completion of the work order is assessed and an appropriate proportion of the expected transaction price recognised in revenue.

Lump sum contracts

Lump sum contracts may involve delivering a range of goods and services, typically repairs, maintenance and capital works; however, there is a single fixed lump sum payment per period which represents the transaction price. The obligation within a lump sum contract is deemed to be being available to deliver the goods and services in the scope of the contract, not the actual performance of the individual works orders themselves. Therefore revenue will be recognised on a straight-line basis as performance obligations are being met over time.

Contracting

For contracting projects, the contract states the scope and specification of the construction works to be carried out, for a fixed price. The Company is continuously satisfying this single performance obligation as cost is incurred, determining progress against the performance obligation on an input basis. The customer controls the site or output as the work is being performed on it and therefore revenue is recognised over time where there is an enforceable right to payment for works completed to date and the work completed does not create an asset with an alternative use to the Company. An assessment is made of costs incurred to date and the costs required to complete the project. If a project is not deemed to be profitable, the unavoidable costs of fulfilling the contract are provided for immediately. This category also includes construction contracts where an end customer has not yet been identified and the revenue is recognised at a point in time, rather than over time.

Tax

The tax expense for the period comprises current and deferred tax.

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the accounting periods to which they relate, based on the taxable profit for the year.

Where an item of income or expense is recognised in the Profit and Loss Account, any related tax generated is recognised as a component of tax expense in the Profit and Loss Account. Where an item is recognised directly to equity or presented within the Profit and Loss Account, any related tax generated is treated similarly.

Deferred taxation is the tax expected to be repayable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred taxation liabilities are generally recognised on all taxable temporary differences in full with no discounting. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred taxation is calculated using the tax rates and laws that are expected to apply in the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to either the Profit and Loss Account, the Statement of Comprehensive Income or equity to the extent that it relates to items charged or credited. Deferred tax relating to items charged or credited directly to equity is also credited or charged to equity.

2 Accounting policies (continued)

Tangible assets
Items of property, plant and equipment are stated at historical cost, net of depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow into the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Profit and loss account during the financial period in which they are incurred.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold property improvements	over the period of the lease
Plant and machinery	25% per annum, reducing balance
Fixtures, fittings and equipment	25% per annum, reducing balance

Intangible assets
Software is stated at cost less amortisation.

Amortisation
Amortisation commences upon completion of the asset and is shown within other administrative expenses. Until the asset is available for use on completion of the project, the assets are subject to impairment testing only.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software	25% per annum, reducing balance

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

Trade receivables
Trade receivables represent amounts due from customers in respect of invoices. They are initially measured at their transaction price and subsequently remeasured at amortised cost.

Retention assets represent amounts held by customers for a period following payment of invoices, to cover any potential defects in the work. Retention assets are included in trade receivables and are therefore initially measured at their transaction price.

Work in progress
Work in progress is included in inventories after deducting any foreseeable losses and payments on account not matched with revenue. Work in progress represents costs incurred on contracts that cannot be matched with contract work accounted for as revenue. Work in progress is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and any subcontracted work that has been incurred in bringing the inventories and work in progress to their present location and condition.

Contract assets
Contract assets are included in trade and other receivables and represent revenue recognised in excess of the total of payments on account and amounts invoiced.

2 Accounting policies (continued)

Leases

The economic ownership of a leased asset is transferred to the lessee if they bear substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable upfront at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

All other leases are treated as operating leases. Payment on operating lease agreements is recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Financial assets and liabilities

Financial assets and liabilities are recognised in the Balance Sheet when the Company becomes party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

Financial assets, loans and receivables

From 1 January 2018, the assets generated from goods or services transferred to customers are now presented as either receivables or contract assets, in accordance with IFRS 15. The assessment of impairment of receivables or contract assets from 1 January 2018 is in accordance with IFRS 9 'Financial Instruments'.

All cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the Company's revenue streams are therefore initially measured at their fair value, which is considered to be their transaction price (as defined in IFRS 15) and are subsequently remeasured at amortised cost.

Under IFRS 9, the Company will now recognise a loss allowance for expected credit losses (ECL) on financial assets subsequently measured at amortised cost using the 'simplified approach'. Individually significant balances are reviewed separately for impairment based on the credit terms agreed with the customer. Other balances are grouped into credit risk categories and reviewed in aggregate.

Trade receivables, contract assets and cash at bank and in hand are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and contract assets are initially recorded at fair value net of transaction costs, being invoiced value less any provisional estimate for impairment should this be necessary due to a loss event. Trade receivables are subsequently remeasured at invoiced value, less an updated provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Profit and Loss Account.

Cash and cash equivalents include cash at bank and in hand and bank deposits available with no notice or less than three months' notice from inception that are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Following initial recognition, financial assets are subsequently remeasured at amortised cost using the effective interest rate method.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Financial Liabilities
The Company's financial liabilities are trade and other payables including accrued expenses, and amounts owed to Group companies.

All interest related charges are recognised as an expense in 'Interest payable and similar charges' in the Profit and Loss Account with the exception of those that are directly attributable to the construction of a qualifying asset, which are capitalised as part of that asset.

Trade payables on normal terms are not interest bearing and are stated at their fair value on initial recognition and subsequently at amortised cost. Contingent consideration is initially recognised at fair value and is subsequently measured at fair value through the Profit and Loss Account.

Contingent consideration is initially recognised at fair value and is subsequently measured at fair value through the Profit and Loss Account.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
The Company operates a defined contribution pension scheme for employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions to an independent entity. The Company has no legal obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The assets of the schemes are held separately from those of the Company in an independently administered fund.

Reserves
Share capital is determined using the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

3 Critical accounting judgements and key sources of estimation uncertainty

As mentioned in the Strategic Report, there is a claim from Manchester Working Limited relating to breach of procurement processes and legislation with ensuing losses. In the preparation of these financial statements, a judgement has been made by management concerning the amount recognised within the results for the year ended 31 March 2019 in respect of this claim. Management have estimated the amount to be recognised for the quantum meruit claim based on the actual cost of delivering the works, including staff overhead, together with a profit element. The impact on profit if the claim is unsuccessful would be £1.575 million.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

4 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. All turnover is derived from within the United Kingdom.

The Company's revenue disaggregated by pattern of revenue recognition is as follows:

	2019 £ 000	2018 £ 000
Schedule of rates contracts	7,186	3,628
Contracting and variable consideration	3,020	14,537
Lump sum contracts	3,425	3,819
	13,631	21,984

Schedule of rates revenue is typically invoiced between one and 30 days from completion of the performance obligation. Contracting revenue is typically invoiced based on the stage of completion of the overall contract. Lump sum revenue is typically invoiced monthly in arrears. Payment terms for revenue invoiced is typically 30 to 60 days from the date of invoice.

5 Operating profit

Arrived at after charging

	2019 £ 000	2018 £ 000
Depreciation expense	12	15
Amortisation expense	5	7
Operating lease expense - property	72	70
Operating lease expense - plant and machinery	17	16
Operating lease expense - motor vehicles	438	491

6 Interest payable and similar charges

	2019 £ 000	2018 £ 000
Interest paid to group undertakings	28	-
Other finance costs	-	1
	28	1

7 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	18	18

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	4,274	4,352
Social security costs	378	389
Other pension costs	424	417
	5,076	5,158

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	60	52
Other departments	90	126
	150	178

The above employee disclosure includes Manchester City Council employees and their associated payroll costs which are recharged to the Company.

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	-	135
Sums paid to third parties for directors' services	-	4
	-	139

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	-	1

Included in the above is compensation for loss of office of £nil (2018: £19,000).

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

10 Income tax

Tax charged/(credited) in the profit and loss account

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	29	122
UK corporation tax adjustment to prior periods	(38)	-
	(9)	122
Deferred taxation		
Arising from origination and reversal of temporary differences	5	6
Tax (receipt)/expense in the profit and loss account	(4)	128

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	177	540
Corporation tax at standard rate	34	103
Decrease in current tax from adjustment for prior periods	(38)	-
Increase from effect of expenses not deductible in determining taxable profit	-	1
Increase arising from group relief tax reconciliation	-	24
Total tax (credit)/charge	(4)	128

11 Deferred tax

Deferred tax asset and liabilities

	Accelerated capital allowances £ 000
At 1 April 2017	46
Deferred tax charge in profit and loss account	
- On origination and reversal of timing differences	(6)
At 1 April 2018	40
Deferred tax charge in profit and loss account	
- On origination and reversal of timing differences	(5)
At 31 March 2019	35

Deferred tax is calculated on temporary differences under the liability method.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

12 Tangible assets

	Leasehold property improvements £ 000	Furniture, fittings and equipment £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation				
At 1 April 2018	198	338	2	538
At 31 March 2019	198	338	2	538
Depreciation				
At 1 April 2018	198	292	1	491
Charge for the year	-	12	-	12
At 31 March 2019	198	304	1	503
Carrying amount				
At 31 March 2019	-	34	1	35
At 31 March 2018	-	46	1	47

13 Intangible assets

	Software £ 000
Cost or valuation	
At 1 April 2018	838
At 31 March 2019	838
Amortisation	
At 1 April 2018	815
Amortisation charge	5
At 31 March 2019	820
Carrying amount	
At 31 March 2019	18
At 31 March 2018	23

Amortisation of intangible assets is included within other operating charges.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

14 Trade and other debtors

	31 March 2019 £ 000	31 March 2018 £ 000
Trade debtors	164	5,216
Debtors from related parties	2,022	8,118
Prepayments	49	103
Other debtors	126	19
Contract assets	2,442	1,723
Deferred tax assets	35	40
Income tax asset	62	-
	4,900	15,219
Less non-current portion	(35)	(40)
	4,865	15,179

Details of non-current trade and other debtors

£35,000 (2018: £40,000) of deferred tax asset is classified as non current.

15 Trade and other creditors

	31 March 2019 £ 000	31 March 2018 £ 000
Trade creditors	1,302	2,527
Accrued expenses	2,055	3,818
Amounts due to related parties	804	3,087
Social security and other taxes	434	693
Other creditors	432	45
Income tax liability	-	88
	5,027	10,258
Amounts falling due after more than one year:		
Amounts owed to related parties	775	-

16 Obligations under leases and hire purchase contracts

Operating leases

Operating lease payments represent rentals payable by the Company for certain of its office properties used for the purposes of its trade, the hire of vehicles and the hire of other equipment. These leases have durations ranging from one to five years. No arrangements have been entered into in respect of contingent rental payments.

The total future value of minimum lease payments is as follows:

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

16 Obligations under leases and hire purchase contracts (continued)

	31 March 2019 £ 000	31 March 2018 £ 000
Within one year	628	476
In two to five years	579	441
	1,207	917

17 Contingent liabilities

Manchester Working Limited and the other companies in the group headed by Mears Group PLC have entered into a Composite Accounting Agreement with the Bank, whereby each Company has provided a guarantee to the Bank and, under the terms of the guarantees, the Bank is authorised to allow set-off for interest purposes and in certain circumstances to set-off debit and credit balances within the Composite Accounting System. The Bank has a fixed and floating charge over the assets of Manchester Working Limited in respect of this arrangement.

18 Related party transactions

The Group of which the Company is a member has a central treasury arrangement in which all Group companies participate and procures a number of goods and services centrally which are recharged to its subsidiaries at cost. The Directors do not consider it meaningful to set out details of transfers made in respect of this treasury arrangement, nor the recharge of centrally procured goods and services, nor do they consider it meaningful to set out details of interest or dividend payments made within the Group.

Summary of transactions with other related parties

The company holds a contract with Manchester City Council (MCC), a shareholder. Under this contract £10,801,000 (2018: £18,133,000) of turnover was recognised in the year. There was an outstanding debtor at the year-end of £1,605,000 (2018: £4,876,000). The company is also charged by MCC for various administrative costs including salaries, rent and payroll administration costs among others. The total amounts charged in respect of staff salaries during the period were £4,597,000 (2018: £4,688,000) and the total of other costs recharged was £136,000 (2018: £85,000). At the year-end, a creditor of £790,000 (2018: £410,000) was outstanding in respect of these transactions.

Northward Housing Limited (a company owned by MCC) is a party to the company's contract with MCC. In the year, turnover with Northward Housing Limited totalled £nil (2018: £1,498,000) with an outstanding debtor of £nil (2018: £46,000).

Mears Limited was a Designated Member of Mears 24/7 LLP until 12 September 2018. During the year Mears 24/7 LLP provided call centre related services to Manchester Working Limited totalling £82,000 (2018: £18,000). At 31 March 2018 the company owed £nil (2018: £2,000) to Mears 24/7 LLP in respect of these transactions. During the year the company provided goods and services totalling £nil (2018: £nil) to Mears 24/7 LLP. A balance of £nil (2018: £nil) was owed to Mears 24/7 LLP in respect of these transactions at the year-end. During the year, Mears Limited also provided call centre related services to Manchester Working Limited totalling £38,000 (2018: £nil). At the year-end, a balance of £703,000 (2018: £3,083,000) was owed to Mears Limited in respect of these transactions and recharges as described above.

During the year, the company made sales to Plexus UK (First Project) Limited ("Plexus"), a fellow subsidiary of Mears Group PLC. The sales to Plexus during the year totalled £1,000 (2018: £12,000). A balance of £nil (2018: £1,000) was owed from Plexus at the year end in respect of these transactions and recharges as described above.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

18 Related party transactions (continued)

During the year, the company made sales of £nil (2018: £nil) to Morrison Facilities Services Limited, a fellow subsidiary of Mears Group PLC. A balance of £81,000 (2018: £4,000) was owed from Morrison Facilities Services Limited at the year-end in respect of these transactions and recharges as described above.

During the year, the company made sales of £nil (2018: £nil) to Mears Group PLC. A balance of £416,000 (2018: £6,621,000) was owed from Mears Group PLC at the year-end in respect of the transactions and recharges described above. During the year, the company made purchases of £nil (2018: £nil) from Morrison Facilities Services Limited, a fellow subsidiary of Mears Group PLC. A balance of £81,000 (2018: £4,000) was owed to Morrison Facilities Services Limited at the year-end in respect of the transactions and recharges described above.

Wythenshawe Community CCG (a company owned by MCC) is a party to the company's contract with MCC. In the year, turnover with Wythenshawe Community CCG totalled £319,000 (2018: £492,000) with an outstanding debtor of £35,000 (2018: £64,000) at the year-end.

19 Share capital

Allotted, called up and fully paid shares

	31 March 2019		31 March 2018	
	No.	£	No.	£
'A' ordinary shares of £1 each	200	200	200	200
'B' ordinary shares of £1 each	800	800	800	800
	1,000	1,000	1,000	1,000

The 'A' shares carry voting rights and the right to appoint two directors of the Company. The 'B' shares carry voting rights and the right to appoint 8 directors of the company. The 'A' and 'B' shares rank equally for the payment of dividends and the distribution of assets on the winding up of the business.

20 Parent and ultimate parent undertaking

The company's immediate parent is Morrison Facilities Services Limited by virtue of its 80% shareholding.

The ultimate parent is Mears Group PLC by virtue of its 100% interest in Morrison Facilities Services Limited.

The most senior parent entity producing publicly available financial statements is Mears Group PLC. These financial statements are available upon request from The Company Secretary, Mears Group PLC, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH.

21 Transition to FRS 101

Manchester Working Limited has transitioned to FRS 101 from FRS 102 with no material measurement differences.