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Manchester Working Limited

Report and Financial Statements

for the Period from 1 October 2020 to 31 December 2021

Manchester Working Limited

Contents

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	Travers Smith 10 Snow Hill London EC1A 2AL
Bankers	Barclays Bank PLC Corporate Banking 4th Floor Bridgewater House Counterslip, Finzels Reach Bristol BS1 6BH
Auditors	Ernst & Young LLP Chartered Accountants The Paragon Counterslip Bristol BS1 6BX

Manchester Working Limited

Strategic Report for the Period from 1 October 2020 to 31 December 2021

The Directors present their report for the period from 1 October 2020 to 31 December 2021.

Fair review of the business

The results for the Company show turnover of £7,190,000 for the 15-month period (2020: £10,408,000 18-month period) and operating loss of £1,657,000 (2020: loss of £917,000).

As with many businesses in the UK, the period has been dominated by the Covid-19 pandemic and the Company's response to the complex operational and financial challenges presented to the business, staff and customers.

The company delivers Planned Capital works to a single client, Manchester City Council ('MCC'). The Company has delivered work to this client since 2006 but, over time, the level of work has reduced significantly, as a number of recurring reactive revenue streams failed to be resecured upon re-tender. The Company entered the latest period with just two active contracts, both non-recurring in nature and both at a relatively advanced stage. The progress made on completing the remaining two projects has been slow, impacted by Covid-19 and supply chain issues.

The Company took advantage of funds received via the job retention scheme (furlough) during the 2020 calendar year, which included the first three 3 months of the financial period ending 31 December 2021. However, the Company elected to voluntarily repay to HMRC amounts received in respect of the first quarter of 2021 and in addition, elected to not submit a claim for further amounts accruing during the second quarter of 2021. During the first lockdown, the furlough scheme was essential for safeguarding the financial stability of the Company. However the Company believed that as from 1 January 2021, given the strong recovery of the wider Mears Group, to continue to claim furlough was no longer necessary, and would not be in the spirit of the legislation.

As at the date of signing this strategic report, there is a single remaining project, which is now expected to be completed in or around September 2022. There are several final accounts being agreed with the MCC client which at times include balances which are yet to be agreed. Typically this additional value claimed reflects extensions of time and other variations.

The mechanism for invoicing under the one remaining active project is dependent upon the achievement of certain contractual milestones. The challenging supply chain issues has meant that certain milestones were considered to be incomplete at the year end and, as such, the level of working capital absorbed within this work is higher than normal. The Directors are confident that a significant proportion of the trade receivable balance will be paid as a matter of course, once the milestones have been achieved.

In addition to the normal trade receivables balances, one notable dispute which previously crystallised between the Company and Manchester City Council ('MCC') is relation to a Framework Agreement for the provision of repair and maintenance services to housing stock which expired in 2017 but services continued to be provided until April 2019. In April 2021 the Company served the formal court claim to the value of £1.7m and MCC has subsequently submitted its defence. The Company continued to carry £0.9m (2020: £0.9m) within the results, in respect of this item. Both parties engaged in mediation, but this was ultimately unsuccessful. The claim is proceeding, and the Directors expect this matter to reach court during 2022 and early 2023.

Strategic Report for the Period from 1 October 2020 to 31 December 2021 (continued)

The Company has no visibility of revenues beyond September 2022. The Directors have already started communicating with the remaining 12 employees. Whilst both Mears Group PLC and Manchester City Council are actively looking for opportunities for the remaining staff to avoid a redundancy, there is a significant risk of job losses in the absence of further work opportunities. The expected cost to the Company of meeting its contractual responsibilities with these staff is estimated to be c. £750,000. This has not been provided for within these financial statements but is recognised by the Directors when preparing forecasts and assessing cash requirements.

It is currently anticipated that once the final project is completed, the final commercial accounts agreed, and the legal claim concluded, that the company may cease trading post 30 September 2023. The Company is reporting net assets of £3.0m and positive cash balances. Notwithstanding the significant dispute with the MCC client, the Directors are confident that the Company has adequate resources to complete the remaining work, fund any staff redundancies and secure settlement of all outstanding creditor 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 Period from 1 October 2020 to 31 December 2021 (continued)

- ***Macro economy***
  The Company's 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 operation products to give choice to clients, is essential to mitigate these risks.

  The Directors have recognised the ongoing price increases on all fronts as a key risk going forward into 2022 and potentially beyond. Those price increases are expected to put additional pressure on margins, especially in the short-term. Risks of price increases are expected to be passed to clients either through renegotiation or existing contractual mechanisms, but this will not happen immediately in most cases.

  Even as the effects of Covid-19 appear to be reducing, global supply chains remain stressed both due to short-term events as well as due to a structural major increase in demand for a wide range of raw materials needed for decarbonisation and electrification initiatives across the globe. Therefore, price pressures on raw materials, energy and consequentially all goods and commodities may remain elevated for a prolonged period of time. On a positive note, neither governments, central banks, nor bond markets appear to expect the current above-average and above-target rates to price increases to sustain.

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

- ***Liquidity***
  There is a clear 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 and its working capital requirements are managed at a Group level. the facility has currently been agreed until December 2025.

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

- ***Reputation***
  The ultimate success of the company relies upon maintaining a positive reputation in the public domain 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.

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 23 September 2022 and signed on its behalf by:

Strategic Report for the Period from 1 October 2020 to 31 December 2021 (continued)

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Andrew Smith

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A C M Smith
Director

23 September 2022

Manchester Working Limited

Directors' Report for the Period from 1 October 2020 to 31 December 2021

The Directors present their report and the financial statements for the period from 1 October 2020 to 31 December 2021.

Directors' of the company

The directors, who held office during the period and up to the date of approval of these financial statements, were as follows:

M S Bennett

D J Miles

A C M Smith

P R Hindle

P Baldwin

C E Middlemass

B R Westran

Principal activity

The principal activity of the Company is the provision of property and estate maintenance services, predominantly for Manchester City Council.

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 (Mears Group plc, the '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.

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 as well as with employees themselves through the use of regular surveys. Senior management also present regular briefings cascades to all employees. The wider Group has appointed an Employee Director to better represent the interests of employees on the Board.

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

Directors' Report for the Period from 1 October 2020 to 31 December 2021 (continued)

Going concern

The Company reported net assets of £3.0m (2020: net assets of £4.7m) and positive cash balances.

In considering the appropriateness of adopting the going concern basis for preparing the financial information, the Directors prepared financial forecasts for the period up to 30 September 2023. During this period, the Directors expect to see the completion of the single remaining project, the settlement of the remaining final commercial accounts, crystallisation of the redundancy and other associated termination costs relating to the remaining 12 employees, and to secure the settlement of all outstanding creditor balances. Given the advanced stage of completion of the single remaining project, the level of remaining operational and financial risk is considered by the Directors to be low.

The principal risks and uncertainties of the Company are managed at a Group level.

In reaching this judgement, the Directors concluded that any scenario or combination of scenarios that could cause the business to be no longer a going concern to be implausible. In reaching this conclusion, the Directors has assumed that the Company fails to recover any monies in relation to the significant contractual dispute with Manchester City Council.

On this basis, and with Mears Group PLC having confirmed in writing its intention to continue to support the Company for the period up to 30 September 2023, the directors consider it appropriate to adopt the going concern.

Directors' liabilities

In accordance with our Articles of Association and to the extent permitted by the laws of England and Wales, Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their position in office. However, our indemnity does not cover Directors or officers in the event of being proven of acting dishonestly or fraudulently.

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

Ernst and Young LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 2006.

Energy and carbon reporting

The Company has complied with all the streamlined Energy and Carbon Reporting requirements (SECR), along with all the other entities that are part of Mears Group PLC. The annual report and accounts of Mears Group PLC included SECR required disclosures for all subsidiaries within the Group.

Approved by the Board on 23 September 2022 and signed on its behalf by:

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Andrew Smith

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A C M Smith

Director

23 September 2022

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and 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.

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 period from 1 October 2020 to 31 December 2021, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the period 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

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 company's ability to continue as a going concern for the period to 30th September 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS101 and the Companies Act 2006) and the relevant tax compliance regulations in the UK
• We understood how Manchester Working Limited is complying with those frameworks by reading internal policies and assessing the entity level control environment, including the level of oversight of those charged with governance. We made enquiries of the Company's legal counsel and internal audit of any known instances of non-compliance or suspected non-compliance with laws and regulations. We corroborated our enquiries through review of correspondence with regulatory bodies. We designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraph above.
• We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the programs and controls that the group has established to address risks identified by the entity, or that otherwise prevent, deter and detect fraud, how senior management monitor those programs and controls, evaluating conditions in the context of incentive and/or pressure to commit fraud, considering the opportunity to commit fraud and the potential rationalisation of the fraudulent act.
• Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of senior management, including the Directors and Company Secretary. As well as attendance and enquiry at meetings, our procedures involved a review of board meetings, internal audit reports, and other committee minutes to identify any non-compliance with laws and regulations. We planned our audit procedures to identify risks of management override, tested higher risk journal entries and performed audit procedures to address the potential for management bias, particularly over areas involving significant estimation.

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

Detecting irregularities, including fraud

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

DocuSigned by:
Ernst & Young LLP
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Paul Mapleston
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP,
Statutory Auditor, Chartered Accountants
Bristol

23 September 2022

Manchester Working Limited

Profit and Loss Account for the Period from 1 October 2020 to 31 December 2021

	Note	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Revenue	3	7,190	10,408
Cost of sales		(6,972)	(8,443)
Gross profit		218	1,965
Administrative expenses		(1,930)	(2,975)
Other operating income	4	56	93
Operating loss	5	(1,656)	(917)
Income from participating interests		25	37
Other interest receivable and similar income		2	1
Interest payable and similar charges	6	(25)	-
Loss before tax		(1,654)	(879)
Tax on loss on ordinary activities	10	(23)	111
Loss for the period		(1,677)	(768)

The above results were derived from continuing operations.

The notes on pages 16 to 30 form an integral part of these financial statements.

Manchester Working Limited

Statement of Comprehensive Income for the Period from 1 October 2020 to 31 December 2021

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Loss for the period	(1,677)	(768)
Total comprehensive income for the period	(1,677)	(768)

The notes on pages 16 to 30 form an integral part of these financial statements.

Manchester Working Limited

(Registration number: 05856213)
Balance Sheet as at 31 December 2021

	Note	31 December 2021 £ 000	30 September 2020 £ 000
Fixed assets			
Intangible assets	13	-	2
Tangible assets	12	10	21
		10	23
Current assets			
Current debtors	14	3,461	4,807
Debtors due after more than one year	14	352	266
Cash at bank and in hand		305	2,444
		4,118	7,517
Creditors: Amounts falling due within one year			
Trade and other payables	15	(917)	(2,823)
Net current assets		3,201	4,694
Total assets less current liabilities		3,211	4,717
Creditors: Amounts falling due after more than one year			
Amounts due to related parties	19	(111)	(40)
Provisions for liabilities	16	(100)	-
Net assets		3,000	4,677
Capital and reserves			
Called up share capital	20	1	1
Profit and loss account		2,999	4,676
Shareholders' funds		3,000	4,677

Approved by the Board on 23 September 2022 and signed on its behalf by:

DocuSigned by:

Andrew Smith

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A C M Smith
Director

The notes on pages 16 to 30 form an integral part of these financial statements.

Manchester Working Limited

Statement of Changes in Equity for the Period from 1 October 2020 to 31 December 2021

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2019	1	5,444	5,445
Loss for the period	-	(768)	(768)
Total comprehensive income	-	(768)	(768)
At 30 September 2020	1	4,676	4,677

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2020	1	4,676	4,677
Loss for the period	-	(1,677)	(1,677)
Total comprehensive income	-	(1,677)	(1,677)
At 31 December 2021	1	2,999	3,000

The notes on pages 16 to 30 form an integral part of these financial statements.

Notes to the Financial Statements for the Period from 1 October 2020 to 31 December 2021

1 General information

The financial statements present the results and financial position of Manchester Working Limited ("the Company") for the period ended 31 December 2021.

The Company is a private company limited by share capital, incorporated in England and Wales 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 23 September 2022.

2 Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with applicable accounting standards, including FRS 101, and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis. The financial statements are presented in Sterling (£), rounded to the nearest thousand (£'000), which is also the functional currency of the Company.

The Company has taken advantage of the reduced disclosures for subsidiaries provided for in FRS 101 and the specific exemptions that the Company has taken advantage of are set out in 'Summary of disclosure exemptions', as the Company is a member of a group where the parent of that group prepares publicly available financial statements, including this company which are intended to give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.

2 Accounting policies (continued)

Going concern

In considering the appropriateness of adopting the going concern basis for preparing the financial information, the Directors prepared financial forecasts for the period up to 30 September 2023. During this period, the Directors expect to see the completion of the single remaining project, the settlement of the remaining final commercial accounts, crystallisation of the redundancy and other associated termination costs relating to the remaining 12 employees, and to secure the settlement of all outstanding creditor balances. Given the advanced stage of completion of the single remaining project, the level of remaining operational and financial risk is considered by the Directors to be low.

The principal risks and uncertainties of the Company are managed at a Group level.

In reaching this judgement, the Directors concluded that any scenario or combination of scenarios that could cause the business to be no longer a going concern to be implausible. In reaching this conclusion, the Directors has assumed that the Company fails to recover any monies in relation to the significant contractual dispute with Manchester City Council.

On this basis, and with Mears Group PLC having confirmed in writing its intention to continue to support the Company for the period up to 30 September 2023, the directors consider it appropriate to adopt the going concern.

Revenue

Revenue is recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. 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.

2 Accounting policies (continued)

Repair and maintenance contracts
For contracts in this category, the customer raises orders on demand, for example to carry out responsive repairs. Revenue is derived from a mixture of lump-sum periodic payments and task-based payments depending on the terms of the individual contract.

Where a lump sum payment is in place it may cover the administrative element of the contract or may cover the majority of the tasks undertaken within that contract with exclusions to this being charged in addition to the lump-sum charge. For the works covered by the lump-sum payment, the performance obligation is being available to deliver the goods and services in the scope of the contract, not the performance of the individual works orders themselves. Revenue is recognised on a straight-line basis as performance obligations are being met over time.

For works orders not covered by a lump-sum payment, each works order represents a distinct performance obligation and, as the customer controls the asset being enhanced through the works, the performance obligation is satisfied over time. Each works order can be broken down into one or more distinct tasks which are either complete or not complete. The stage of completion of the works order is assessed by looking at which tasks are complete. The transaction price for partly completed works orders is recognised as cost plus expected margin. The transaction price for completed works orders is the invoice value, which is typically determined by a pricing schedule referred to as a Schedules of Rates that provides a transaction price for each particular task.

Some contracts may include an element of variable revenue based on certain Key Performance Indicators ('KPIs'). These are recognised either at a point in time or over time, depending on the nature of the KPI and the contractual agreement in which it is contained. Where there is uncertainty in the measurement of variable consideration, at both the start of the contract and subsequently, management will consider the facts and circumstances of the contract in determining either the most likely amount of variable consideration when the outcome is binary, or the expected value based on a range of possible considerations. Included within this assessment will be the extent to which there is a high probability that a significant reversal in variable consideration revenues will not occur once the uncertainty is subsequently resolved. This assessment will include consideration of the following factors: the total amount of the variable consideration; the proportion of consideration susceptible to judgements of customers or third parties, for example KPIs; the length of time expected before resolution of the uncertainty; and the Company's previous experience of similar contracts.

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.

Mobilisation
Across all revenue types, where a contract includes a mobilisation element, consideration is initially given to whether the mobilisation element contains any discrete performance obligations. If this is the case, an element of the total contract price is allocated to those performance obligations and recognised either at a point in time or over time, depending on the nature of the performance obligation. Mobilisation income is included in the revenue category to which the contract relates.

Where amounts are received for mobilisation elements that are not performance obligations, these amounts are allocated to the performance obligations in the contract to which they relate.

2 Accounting policies (continued)

Government grants

Grants from the government are recognised at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the company has complied with all attached conditions. Grants received where the company has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with.

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.

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 over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	shorter of useful economic life or over the period of the lease
Plant and machinery	25% per annum, reducing balance
Equipment	25% per annum, reducing balance

2 Accounting policies (continued)

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.

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.

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

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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.

2 Accounting policies (continued)

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.

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.

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 December 2021. The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) The requirements of IFRS 2 Share-based Payments;
b) The requirements of IFRS 3 Business Combinations;
c) The requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
d) The requirements of IFRS 7 Financial Instruments: Disclosures;
e) The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
f) The requirements of IFRS 15 Revenue from Contracts with Customers;
g) The requirements of IFRS 16 Leases;
h) The requirements of paragraph 58 of IFRS 16;
i) 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;
j) The requirements of paragraph 10(d) and 134 to 136 of IAS 1 Presentation of Financial Statements;
k) The requirements of IAS 7 Statement of Cash Flows;
l) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
m) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
n) 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;
o) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
p) The requirements of paragraph 5(c) of the FRS 101 Reduced Disclosure Framework.

2 Accounting policies (continued)

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

The assets generated from goods or services transferred to customers are presented as either receivables or contract assets, in accordance with IFRS 15. The assessment of impairment of receivables or contract assets 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 recognises 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.

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.

3 Revenue

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

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

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Repairs and maintenance	-	1,266
Contracting	7,190	9,142
	7,190	10,408

Repairs and maintenance 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. Payment terms for revenue invoiced are typically 30 days from the date of invoice.

4 Other operating income

The analysis of the Company's other operating income for the period is as follows:

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Government grants	56	93

The other operating income in the period of £56,000 (2020: £93,000) relates to the government furlough scheme, which provides financial support relating to the Covid-19 pandemic.

5 Operating loss

Arrived at after charging

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Depreciation on tangible fixed assets	5	14
Amortisation expense on intangible assets	-	3
Loss on disposal of property, plant and equipment	6	13

6 Interest payable and similar charges

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Interest on bank overdrafts and borrowings	25	-

7 Auditors' remuneration

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Audit of the financial statements	35	19

8 Staff costs

The aggregate payroll costs were as follows:

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Wages and salaries	994	1,596
Social security costs	92	248
Other pension costs	566	78
	1,652	1,922

The average number of persons employed by the Company (including Directors) during the period, analysed by category was as follows:

	15 months to 31 December 2021 No.	18 months to 30 September 2020 No.
Administration and support	15	35
Other departments	13	33
	28	68

9 Directors' remuneration

The Directors were remunerated through other Group companies during the period and no remuneration was paid in respect of their positions as Directors of Manchester Working Limited.

10 Income tax

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

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Current taxation		
UK corporation tax	-	(29)
UK corporation tax adjustment to prior periods	(56)	1
	(56)	(28)
Deferred taxation		
Arising from origination and reversal of temporary differences	1	(83)
Arising from changes in tax rates and laws	(9)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	87	-
Total deferred taxation	79	(83)
Tax expense/(receipt) in the profit and loss account	23	(111)

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	15 months to 31 December 2021 £ 000	18 months to 30 September 2020 £ 000
Loss before tax	(1,654)	(879)
Corporation tax at standard rate	(314)	(167)
Increase/(decrease) from effect of capital allowances depreciation	1	(2)
Increase arising from group relief	345	57
Deferred tax credit relating to changes in tax rates or laws	(9)	-
Increase in current tax from adjustment for prior periods	-	1
Total tax charge/(credit)	23	(111)

Factors that may affect future tax charges

The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end, to the extent those balances are expected to impact on current tax after 1 April 2023.

Notes to the Financial Statements for the Period from 1 October 2020 to 31 December 2021 (continued)

11 Deferred tax

Deferred tax asset

	Capital allowances £ 000	Provisions £ 000	Total £ 000
At 1 April 2019	35	-	35
Deferred tax charge in profit and loss account			
- On origination and reversal of timing differences	(4)	87	83
At 1 October 2020	31	87	118
Deferred tax charge in profit and loss account			
- Change in tax rate	9	-	9
- On origination and reversal of timing differences	(1)	-	(1)
- Adjustments in respect of prior periods	-	(87)	(87)
At 31 December 2021	39	-	39

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

12 Tangible assets

	Leasehold improvements £ 000	Furniture, fittings and equipment £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation				
At 1 October 2020	198	90	2	290
Disposals	-	(47)	(2)	(49)
At 31 December 2021	198	43	-	241
Depreciation				
At 1 October 2020	198	69	2	269
Charge for the period	-	5	-	5
Eliminated on disposal	-	(41)	(2)	(43)
At 31 December 2021	198	33	-	231
Carrying amount				
At 31 December 2021	-	10	-	10
At 30 September 2020	-	21	-	21

Notes to the Financial Statements for the Period from 1 October 2020 to 31 December 2021 (continued)

13 Intangible assets

	Software £ 000
Cost or valuation	
At 1 October 2020	2
At 31 December 2021	2
Amortisation	
Amortisation charge	2
At 31 December 2021	2
Carrying amount	
At 31 December 2021	-
At 30 September 2020	2

Amortisation of intangible assets is included within administrative expenses.

14 Trade and other debtors

	31 December 2021 £ 000	30 September 2020 £ 000
Trade debtors	706	232
Provision for impairment of trade debtors	(43)	-
Net trade debtors	663	232
Current debtors due from related parties	38	1,224
Debtors due from related parties after more than one year	13	11
Contract assets	2,898	2,991
Prepayments	1	4
Deferred tax assets due after more than one year	39	118
Corporation Tax asset	152	369
Other debtors	9	124
	3,813	5,073
Less non-current portion	(352)	(266)
	3,461	4,807

Included in trade receivables is £300,000 (2020: £137,000) in respect of retention payments due in more than one year.

Trade receivables are normally due within 30 days and do not bear any effective interest rate. All trade receivables and accrued income are subject to credit risk exposure. The Company's customers are primarily a mix of Local Governments and Housing Associations where credit risk is minimal.

Notes to the Financial Statements for the Period from 1 October 2020 to 31 December 2021 (continued)

15 Trade and other creditors

	31 December 2021 £ 000	30 September 2020 £ 000
Trade creditors	420	1,415
Accrued expenses	224	1,064
Amounts due to related parties	-	28
Social security and other taxes	266	264
Other creditors	7	52
	917	2,823

16 Other provisions

	Staff Claims £ 000
Current liabilities	100

The provision above relates to a staff legal claim and is due within one year.

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.

18 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.

Mears Group PLC prepares group financial statements which include this company and are the smallest and largest consolidated accounts that the company are included in. These financial statements are available upon request from The Company Secretary, Mears Group PLC, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH.

19 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.

Interest on amounts owed to group companies of £9,000 (2020: £7,000) incurred during the period, is charged at a rate of 2.5% and the loans are repayable after more than one year.

Notes to the Financial Statements for the Period from 1 October 2020 to 31 December 2021 (continued)

19 Related party transactions (continued)

During the period, the Company made sales of £6,853,000 (2020: £9,058,000) to Manchester City Council ('MCC'), a 20% shareholder of Manchester Working Limited. There was an outstanding debtor at the period end of £362,000 (2020: £1,209,000).

During the period, the Company made purchases of £472,000 (2020: £522,000) from Mears Limited, a fellow subsidiary of Mears Group plc. A credit balance of £73,000 (2020: Debit balance of £33,000) was owed to/(from) Mears Limited in respect of these transactions at the period-end.

During the period, the Company made sales of £nil (2020: £nil) to Morrison Facilities Services Limited, a fellow subsidiary of Mears Group PLC. A balance of £nil (2020: £7,000) was owed to Morrison Facilities Services Limited at the period-end in respect of these transactions.

Wythenshawe Community CCG (a company owned by Manchester City Council ('MCC') is a party to the Company's contract with MCC. In the period, turnover with Wythenshawe Community CCG totalled £nil (2020: £99,000) with an outstanding debtor of £nil (2020: £15,000) at the period-end.

20 Share capital

Allotted, called up and fully paid shares

	31 December 2021		30 September 2020	
	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.