

British Engineering Services Limited
Annual report and financial statements
For the year ended 31 December 2019

Registered number: 09299724

TUESDAY



A95ELDYI

A07

19/05/2020

#150

COMPANIES HOUSE

British Engineering Services Limited

Contents

	Page
Company information	2
Chief Executive Officer's statement	3
Strategic report	4
Directors' report	8
Directors' responsibilities statement	10
Independent auditor's report	11
Profit and loss account	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17

British Engineering Services Limited

Company information

Directors

Steven Dennison
Edward Fraser
Paul Hirst
Richard Houghton
Floencia Kassai
Stewart Kay
Andrew Kinsey

Company Secretary

Pinsent Masons LLP
3 Hardman Street
Manchester
United Kingdom
M3 3AU

Auditor

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
United Kingdom
M3 3HF

Banker

HSBC Bank plc
2-4 St. Ann's Square
Manchester
United Kingdom
M2 7HD

Registered office

British Engineering Services
3rd Floor
5 New York Street
Manchester
United Kingdom
M1 4JB

Registered No: 09299724

British Engineering Services Limited

Chief Executive Officer's statement

As Group CEO of British Engineering Services I am delighted to report that 2019 has been another highly successful year for the business, both financially and also in terms of how we are positioned for the future.

Company operating profit before exceptional costs, amortisation and depreciation is £7,647k, an increase of 47.9% on 2018. Across the wider Group, operating profit before exceptional costs, amortisation and depreciation is £8,006k, an increase of 42.5% on 2018.

Over the last four years we have invested heavily in our systems, processes and people to build a truly differentiated service for our customers and brokers. We have harnessed the latest technology to complement and enhance our delivery capability both in the field and at our Manchester head office.

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

- Company revenues exceeding £45,000k and Group revenues approaching £50,000k
- Company customer retention rate exceeding 95%
- The Company investing in market leading systems, including launch of the Acturis sales channel
- The Group refinancing to repay £15,000k of shareholder loan notes completed
- The Group acquired UK Road Tanker Inspection Limited funded from cashflow

As I write this statement, there is an elevated concern about the impact that COVID-19 will have on the global economy. The Group's activities are considered to be critical to the health and safety of the UK and Republic of Ireland and I have clear priorities that the Group is following during the COVID-19 outbreak. As explained in more detail in the Strategic Report following this statement, all of the Group's activities are continuing to operate as normal and the necessary business continuity procedures have been successfully implemented. Protecting our employees and ensuring that they stay healthy has been the first priority.

In the meantime, we continue to develop and strengthen our strategy for the next phase of growth as follows:

- Build capacity and technical excellence to facilitate and accelerate growth
- Drive sales activity to align with our ambitious growth plans
- Add capability via targeted acquisitions
- Maximise profitability using our operating model advantage

We are determined to continually raise industry standards and provide professional and reliable service built on quality workmanship and the highest service standards. Our success to date is due to the hard work, loyalty and commitment of our staff and the continued support of our customers and broker partners.

Our private equity partners, Inflexion, continue to be very supportive and have encouraged us to invest for the long term to realise the full potential of this great British business which has been the industry leader and pioneer of testing, inspection and certification services since 1859.

In summary, we are very excited about where the business stands today and we believe that 2020 will prove to be an even better year.



Stewart Kay

Chief Executive Officer

British Engineering Services Limited

Strategic report

The directors of British Engineering Services Limited present their strategic report on the affairs of the Company together with the audited financial statements and independent auditor's report for the year ended 31 December 2019.

Results

The Company's turnover for the year ended 31 December 2019 is £45,421k (2018: £41,135k). The operating profit before exceptional costs, amortisation and depreciation is £7,647k (2018: £5,172k). The operating profit is £3,688k (2018: £353k loss).

With regard to the Company's results, Management EBITDA, operating profit and profit before taxation have all seen considerable improvement on the prior year as the Company has continued to develop its total business performance.

Principal activities and review of the business

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

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

Section 172(1) statement

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

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

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

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

British Engineering Services Limited

Strategic report (continued)

Section 172(1) statement (continued)

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

A key decision taken by directors during the year was, towards the end of 2019, to invest in recruitment and training of new engineers to boost capacity and support the Company's continued growth and expansion.

Key performance indicators

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

	2019 £000s	2018 £000s	Change %
Turnover	45,421	41,135	10.4%
Gross profit	21,917	19,068	14.9%
Operating profit before exceptional costs, amortisation and depreciation (Management EBITDA*)	7,647	5,172	47.9%

* see profit and loss account on page 14.

Principal risks and uncertainties

Business and operational risk

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

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

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

The likelihood of Brexit exerting a significant adverse impact on the Company is low. Revenue exposure is specifically related to a limited number of customers who currently receive Notified Body services to comply with EU Directives and who continue to export manufactured products to the EU. Risk in the absence of a comprehensive trade agreement with the EU is mitigated by extending relevant Notified Body appointments to Vertigo Inspection (ROI) Limited, another company in the Group headed by British Engineering Services Topco Limited.

Cash flow and liquidity risk

The Company aims to mitigate liquidity risk by proactively managing the cash generation of its operations. The Company also manages liquidity risk through loans from group undertakings which, in turn, utilise revolving credit facilities and long-term debt. Management considers short-term requirements against available sources of funding and taking into account forecast cash flow.

British Engineering Services Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Currency risk

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

Credit risk

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

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

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

COVID-19 coronavirus

COVID-19 is a new illness that has been spread globally to the extent that it is now classified as a Public Health Emergency of International Concern by the World Health Organisation. There is an elevated concern globally about the impact that COVID-19 will have on the global economy.

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

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

- Keep all of our people safe.
- Keep British Engineering Services operational and continue to provide our customers with our essential services, where it is safe to do so.
- Ensure that we do not lose a single role during these difficult times so that everyone has a secure and stable future as the world comes out of this crisis.
- Meet or exceed our plans and continue to invest in the business.

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

Although the directors cannot predict the extent and duration of the COVID-19 outbreak, they have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for its services and the potential impact on profitability and liquidity for over 12 months from the date of signing these financial statements. In particular, the directors have stress-tested the impact on EBITDA as a result of lower levels of activity. In addition, the directors have implemented a series of actions to preserve cash, including a reduction of non-essential expenditure and the Group securing an additional £3,000k revolving credit facility from HSBC bank as a contingency measure. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that it is appropriate for the Company to prepare the financial statements on a going concern basis.

Future developments

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

British Engineering Services Limited

Strategic report (continued)

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'S. Dennison', with a large, stylized loop in the middle.

Steven Dennison
Director
British Engineering Services Limited
3rd Floor, 5 New York Street
Manchester
United Kingdom
M1 4JB

6 May 2020

British Engineering Services Limited

Directors' report

The directors of British Engineering Services Limited present their directors' report for the year ended 31 December 2019.

Future developments

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

Dividends

No dividends can be paid or proposed (2018: £nil) to the Company's immediate holding company, British Engineering Services Holdco Limited.

Directors

The directors, who served throughout the year and thereafter, were as follows:

Steven Dennison
Edward Fraser
Paul Hirst
Richard Houghton
Floencia Kassai
Stewart Kay
Andrew Kinsey

Going concern

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

Events after the balance sheet date

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections reported throughout the world. Measures taken by various governments to contain the virus have adversely impacted economic activity. The Company has taken a number of actions to monitor and prevent the effects of the COVID-19 virus through health and safety measures for its people (such as social distancing and working from home).

At this stage, the impact on the Company's activities and results is limited. The Company will continue to follow the various national institutes' policies and advice and, in parallel, will do its utmost to continue its operations in the best and safest way possible.

For the year ended 31 December 2019, the financial reporting effects of the COVID-19 outbreak are considered to be non-adjusting events.

Further details are disclosed in the strategic report and note 1 to these financial statements.

Disabled employees

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

British Engineering Services Limited

Directors' report (continued)

Engagement with employees

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

Engagement with customers and suppliers

The Company places considerable value on having strong relationships with customers and suppliers. The Company engages in regular, open and proactive dialogue with stakeholders and their opinions are considered when making operational and strategic decisions.

Auditor

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

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

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

Deloitte LLP were re-appointed as the Company's auditor during the year ended 31 December 2019.

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

Approved by the Board and signed on its behalf by:



Steven Dennison
Director
British Engineering Services Limited
3rd Floor, 5 New York Street
Manchester
United Kingdom
M1 4JB

6 May 2020

British Engineering Services Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's 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.

British Engineering Services Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of British Engineering Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

British Engineering Services Limited

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

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 respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

British Engineering Services Limited

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

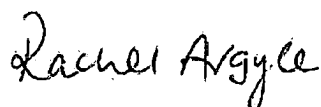
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

Use of our report

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



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

6 May 2020

British Engineering Services Limited

Profit and loss account

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	3	45,421	41,135
Cost of sales		(23,504)	(22,067)
Gross profit		21,917	19,068
Distribution costs		(1,407)	(1,414)
Administrative expenses		(16,822)	(18,007)
Operating profit/(loss)		3,688	(353)
Operating profit before exceptional costs, amortisation and depreciation (Management EBITDA)		7,647	5,172
Exceptional costs - restructuring	1	-	(2,053)
- other	1	(303)	(373)
Operating costs - amortisation	9	(3,270)	(2,577)
- depreciation	10	(386)	(522)
Operating profit/(loss)		3,688	(353)
Finance income/(costs) net	4	303	(493)
Profit/(loss) before taxation	5	3,991	(846)
Tax on profit/(loss)	8	(729)	127
Profit/(loss) for the financial year		3,262	(719)

All activity arises from continuing operations.

There are no recognised gains and losses other than those presented in the results above and, consequently, a separate statement of other comprehensive income has not been prepared.

British Engineering Services Limited

Balance sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	13,761	14,733
Tangible assets	10	730	487
Investments	11	-	-
		<u>14,491</u>	<u>15,220</u>
Current assets			
Debtors	12	31,344	19,642
Cash at bank and in hand		3,112	2,985
		<u>34,456</u>	<u>22,627</u>
Total current assets		34,456	22,627
Creditors: Amounts falling due within one year	13	(25,920)	(18,040)
		<u>8,536</u>	<u>4,587</u>
Net current assets		8,536	4,587
Total assets less current liabilities		23,027	19,807
Creditors: Amounts falling due after more than one year	14	(233)	(193)
Provisions for liabilities		(32)	(114)
		<u>22,762</u>	<u>19,500</u>
Net assets		22,762	19,500
Capital and reserves			
Called-up share capital	16	26,100	26,100
Share premium account		2,078	2,078
Profit and loss account		(5,416)	(8,678)
		<u>22,762</u>	<u>19,500</u>
Total shareholder's funds		22,762	19,500

The financial statements of British Engineering Services Limited were approved by the board of directors and authorised for issue on 6 May 2020. They were signed on its behalf by:



Steven Dennison

Director

Registered number: 09299724

British Engineering Services Limited

Statement of changes in equity

For the year ended 31 December 2019

	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2018	10,002	2,078	(7,959)	4,121
Loss for the financial year	-	-	(719)	(719)
Total comprehensive expense	-	-	(719)	(719)
Issue of share capital	16,098	-	-	16,098
At 31 December 2018	26,100	2,078	(8,678)	19,500
Profit for the financial year	-	-	3,262	3,262
Total comprehensive income	-	-	3,262	3,262
At 31 December 2019	26,100	2,078	(5,416)	22,762

British Engineering Services Limited

Notes to the financial statements

For the year ended 31 December 2019

1. Accounting policies

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

a. General information and basis of accounting

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

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is British Engineering Services, 3rd Floor, 5 New York Street, Manchester, United Kingdom, M1 4JB.

The principal activities of the Company and the nature of its operations are set out in the strategic report on pages 4 to 7.

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

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements have been rounded to the nearest £000.

British Engineering Services Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it (under sections 7 and 28) in respect of the presentation of a cash flow statement, remuneration of key management personnel and financial instruments.

b. Basis of consolidation

Consolidated financial statements have not been prepared under section 400 of the Companies Act as the Company is an indirectly wholly owned subsidiary of British Engineering Services Topco Limited, a company incorporated in the United Kingdom and registered in England and Wales. British Engineering Services Topco Limited produces consolidated financial statements including the results of British Engineering Services Limited.

c. Going concern

The directors have received confirmation that British Engineering Services Topco Limited ("Topco"), the group holding company, will continue to provide the necessary level of support to enable the Company to continue to operate for the foreseeable future. In considering the ability of Topco to provide any necessary support the directors have obtained an understanding of Topco's trading and cash flow forecasts for the period to 30 June 2021 with reference to covenants on the external borrowing to ensure these can be complied with.

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

d. Intangible assets – goodwill

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

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

e. Intangible assets – assets under construction

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

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

f. Intangible assets – IT software

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

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

g. Intangible assets – patents and trademarks

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

h. Intangible assets – other intangibles

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

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

i. Intangible assets – Licences

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

j. Tangible fixed assets

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

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

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

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

k. Financial instruments

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

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

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

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

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

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

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

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

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

k. Financial instruments (continued)

(i) Financial assets and liabilities (continued)

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

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

(ii) Investments

Investments in subsidiaries are measured at cost less impairment.

(iii) Fair value measurement

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

l. Impairment of assets

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

Non-financial assets

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

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

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

Financial assets

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

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

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

l. Impairment of assets (continued)

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

m. Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

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

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

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

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

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

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

n. Turnover

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

o. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

p. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise.

q. Leases

The Company as lessee

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

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

r. 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 Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

s. Exceptional costs

Exceptional costs are those which are material due to their nature and which are non-recurring. The Company includes the following as exceptional costs:

Restructuring: Costs incurred following the acquisition of trade and assets from RSA to establish British Engineering Services Limited as an independent trading entity including organisational and personnel restructuring costs.

Other: Other exceptional or non-recurring costs outside of underlying trading performance

t. Related party transactions

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty.

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Turnover

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

	2019 £000	2018 £000
Turnover:		
Inspection	36,435	32,769
Testing	2,972	2,608
Certification	5,351	5,276
Other	663	482
	<u>45,421</u>	<u>41,135</u>

100% of the Company's turnover is generated in the United Kingdom and Republic of Ireland.

4. Finance (income)/costs (net)

	2019 £000	2018 £000
Interest payable and similar expenses	160	671
Interest receivable and similar income	(463)	(178)
	<u>(303)</u>	<u>493</u>

Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on loans from Group undertakings	86	625
Interest payable on finance leases	-	1
Other interest payable	27	45
Other finance expense	47	-
	<u>160</u>	<u>671</u>

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Finance (income)/costs (net) (continued)

Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable on loans to Group undertakings	450	168
Bank interest receivable	13	2
Other finance income	-	8
	<u>463</u>	<u>178</u>

5. Profit/(loss) before taxation

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

	2019 £000	2018 £000
Depreciation of tangible fixed assets (note 10)	386	522
Amortisation of goodwill (note 9)	849	848
Amortisation of other intangible assets (note 9)	2,421	1,729
Exceptional costs – restructuring (note 1)	-	2,053
Exceptional costs – other (note 1)	303	373
Operating lease rentals	194	199
Foreign exchange loss/(gain)	47	(8)
	<u>47</u>	<u>(8)</u>

Amortisation of intangible assets is included in administrative expenses.

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

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	27	20
Total audit fees	<u>27</u>	<u>20</u>

No services were provided pursuant to contingent fee arrangements.

No non-audit fees were payable in either year.

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2019 Number	2018 Number
Fee earners	388	383
Administration	162	151
	<u>550</u>	<u>534</u>

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	26,043	24,804
Social security costs	2,943	2,705
Pension costs	1,973	1,874
	<u>30,959</u>	<u>29,383</u>

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

7. Directors' remuneration and transactions

	2019 £000	2018 £000
<i>Directors' remuneration</i>		
Emoluments	983	1,008
Company contributions to defined contribution pension schemes	19	35
	<u>1,002</u>	<u>1,043</u>
	Number	Number
The number of directors who:		
Are members of a defined contribution scheme	<u>2</u>	<u>3</u>
	2019 £000	2018 £000
Remuneration of the highest paid director:		
Emoluments	348	429
Company contributions to defined contribution pension schemes	-	14
	<u>348</u>	<u>443</u>

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

8. Tax on profit

The tax charge/(credit) comprises:

	2019 £000	2018 £000
Deferred tax		
Current year - accelerated capital allowances	83	6
Current year - tax losses	704	(126)
Current year - short term timing differences	(102)	6
	<hr/> 685	<hr/> (114)
Prior year - tax losses available	44	(13)
	<hr/> 44	<hr/> (13)
Total deferred tax (see note 15)	<hr/> 729	<hr/> (127)
Total tax on profit	<hr/> 729	<hr/> (127)

The standard rate of tax applied to reported profit is 19.00%.

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

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

8. Tax on profit (continued)

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

	2019 £000	2018 £000
Profit/(loss) before tax	<u>3,991</u>	<u>(846)</u>
Tax charge/(credit) on profit/(loss) at standard UK corporation tax rate of 19.00% (2018: 19.00%)	758	(161)
Effects of:		
- Permanent differences	1	3
- Deferred tax prior year adjustment	44	(13)
- Expenses not deductible for tax purposes	7	6
- Difference in current and deferred tax rates	<u>(81)</u>	<u>38</u>
Total tax on profit/(loss)	<u>729</u>	<u>(127)</u>

Finance Act 2016, which was substantively enacted on 6 September 2016, included provisions to reduce the rate of corporation tax to 17% from 1 April 2020. The Company has measured the relevant deferred tax balances at 19% and 17%.

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Intangible fixed assets

	Goodwill £000	Assets under construction £000	IT software £000	Patents and trademarks £000	Licenses £000	Other intangible assets £000	Total £000
Cost							
At 31 December 2018	8,486	308	4,423	280	726	7,457	21,680
Additions	-	1,405	68	-	812	13	2,298
Transfers	-	(1,309)	1,042	-	267	-	-
Disposals	-	-	-	-	(411)	-	(411)
At 31 December 2019	8,486	404	5,533	280	1,394	7,470	23,567
Amortisation							
At 31 December 2018	2,687	-	1,151	177	355	2,577	6,947
Charge for the year	849	-	1,090	56	457	818	3,270
Disposals	-	-	-	-	(411)	-	(411)
At 31 December 2019	3,536	-	2,241	233	401	3,395	9,806
Net book value							
At 31 December 2019	4,950	404	3,292	47	993	4,075	13,761
At 31 December 2018	5,799	308	3,272	103	371	4,880	14,733

The net book value of assets held under finance leases included above is £nil (2018: £31k IT Software).

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

10. Tangible fixed assets

	Plant and machinery £000	IT equipment £000	Fixtures and fittings £000	Leasehold improvements £000	Total £000
Cost					
At 31 December 2018	417	1,039	193	190	1,839
Additions	76	545	8	-	629
At 31 December 2019	493	1,584	201	190	2,468
Depreciation					
At 31 December 2018	238	830	179	105	1,352
Charge for the year	92	242	14	38	386
At 31 December 2019	330	1,072	193	143	1,738
Net book value					
At 31 December 2019	163	512	8	47	730
At 31 December 2018	179	209	14	85	487

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

11. Fixed asset investments

	2019 £000	2018 £000
Subsidiary undertakings	-	-

Principal Group investments

	Registered office	Principal activity	Holding %	Investment
Subsidiary undertakings				
British Engineering Testing Services Limited +	3rd Floor, 5 New York Street, Manchester M1 4JB	Holding company	100%	1 ordinary share of £1
British Engineering Inspection Services Limited +	3rd Floor, 5 New York Street, Manchester M1 4JB	Dormant, non-trading	100%	1 ordinary share of £1
British Engineering Certification Services Limited +	3rd Floor, 5 New York Street, Manchester M1 4JB	Dormant, non-trading	100%	1 ordinary share of £1
Nortest Limited	3rd Floor, 5 New York Street, Manchester M1 4JB	Trading company	100%	Held indirectly

+ Held directly by British Engineering Services Limited

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

12. Debtors

	2019 £000	2018 £000
<i>Amounts falling due after more than one year:</i>		
Deferred tax (note 15)	849	1,578
<i>Amounts falling due within one year:</i>		
Trade debtors	6,952	7,814
Amounts owed by Group undertakings	18,578	5,771
Other debtors	1,592	1,758
Prepayments and accrued income	3,373	2,721
	<u>31,344</u>	<u>19,642</u>

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

13. Creditors – amounts falling due within one year

	2019 £000	2018 £000
Obligations under finance leases	-	24
Trade creditors	842	647
VAT	1,246	1,777
Other creditors	1,589	1,269
Accruals and deferred income	13,838	14,188
Amounts owed to Group undertakings	8,405	135
	<u>25,920</u>	<u>18,040</u>

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

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

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

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

	2019 £000	2018 £000
Other creditors	233	193
	<u>233</u>	<u>193</u>

Obligations under finance leases are repayable as follows:

	2019 £000	2018 £000
Finance leases		
On demand or within one year	-	24
	<u>-</u>	<u>24</u>

15. Deferred tax asset

	2019 £000	2018 £000
<i>Deferred tax asset:</i>		
Brought forward	1,578	1,451
(Charged)/credited to profit and loss account	(729)	127
	<u>849</u>	<u>1,578</u>

	2019 £000	2018 £000
Deferred tax is recognised as follows:		
Accelerated capital allowances	67	150
Tax losses available	631	1,379
Short term timing differences	151	49
	<u>849</u>	<u>1,578</u>
Deferred tax asset	<u>849</u>	<u>1,578</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority.

The directors have reviewed the Company's financial forecasts and believe the deferred tax asset is recoverable.

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Called-up share capital

	2019 £000	2018 £000
Allotted, called-up and fully-paid		
2,609,824,659 (2018: 2,609,824,659) ordinary shares of £0.01 each	26,098	26,098
80,220 ordinary 'A' shares of £0.001 each	-	-
2,000,000 Preference shares of £0.001 each	2	2
	<u>26,100</u>	<u>26,100</u>

The Company has two classes of ordinary shares, neither of which carry a right to fixed income.

17. Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2019 was £1,973k (2018: £1,874k).

18. Financial commitments

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

	2019 £000	2018 £000
Payable within one year	194	194
Payable between one and five years	37	231
	<u>231</u>	<u>425</u>

The lease commitment at 31 December 2019 comprises rental of office space and photocopiers.

British Engineering Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. Ultimate parent company and controlling party

The immediate parent company is British Engineering Services Holdco Limited, a company incorporated in the United Kingdom. The largest and smallest group in which the results of the Company are consolidated is that headed by British Engineering Services Topco Limited, a company incorporated in the United Kingdom. The consolidated financial statements of British Engineering Services Topco Limited are available to the public and may be obtained from British Engineering Services, 3rd Floor, 5 New York Street, Manchester, United Kingdom, M1 4JB.

Funds managed by Inflexion Private Equity Partners LLP are the majority shareholders and ultimate controlling party of British Engineering Services Topco Limited. The registered address of Inflexion Private Equity Partners LLP is 47 Queen Anne Street, London W1G 9JG, United Kingdom.