

COMPANY REGISTRATION NUMBER: 11769911

Morris Line Engineering Limited

Financial Statements

For the year ended

31 December 2020

Morris Line Engineering Limited

Financial Statements

Year ended 31 December 2020

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Morris Line Engineering Limited

Officers and Professional Advisers

The board of directors

D Kearle
S L Thomas
R Selden

Company secretary

R Selden

Registered office

Morris House
South Road
Bridgend Industrial Estate
Bridgend
United Kingdom
CF31 3EB

Auditor

Clay Shaw Thomas Ltd
Chartered accountants & statutory auditor
2 Oldfield Road
Bocam Park
Bridgend
CF35 5LJ

Bankers

Barclays Bank
36 Dunraven Place
Bridgend
CF31 1JB

Morris Line Engineering Limited

Strategic Report

Year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company during the year was the manufacture of electricity distribution and control apparatus.

Business review

Details of the trading activities and financial position of the company are shown on pages 13 and 14. The company's turnover for the period was £13,234,482 (2019 - £13,570,179). The statement of comprehensive income of the company is set out on page 13 and shows a profit before tax of £498,618 (2019 - £2,547,023) year ended 31 December 2020. The company met or exceeded its financial, quality, safety and environmental key performance indicators for 2020. The principal activity of the company is the original equipment manufacture, to in-house design, of high voltage electrical line equipment for the electrical distribution networks, rail electrification and the oil & gas industries, mainly within the UK, GCC and Republic of Ireland. The company has a strong market position based upon products of recognised quality and reliability, maintained by close business relations with blue chip clients. The company also manufactures low voltage switchgear for UK industry /construction clients, as well as providing specialist fire alarm maintenance and project services to the public sector, principally for NHS trusts. The company operates within defined structures with a culture of fairness and openness to enhance long term shareholder and stakeholder value. The expertise, commitment and support of the company employees is central to its success. The Directors would like to sincerely thank all their colleagues for their hard work to help deliver these results.

Principal risk and uncertainties

The Company benefits from the close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or significant worsening in commercial terms, could have a material impact on the trading results. The Company devotes significant resources to supporting these relationships to ensure that they continue to operate as well in the future. Price risk The Company operates in a highly competitive market. Significant product innovations, technical advances or the intensification of price competition could adversely affect the results of the Company. Credit risk The Company has well established policies and procedures that require appropriate credit checks on potential customers before contracts and services are provided. The amount of exposure to any individual customer is subject to a limit which is reassessed by the company on a regular basis. Liquidity risk Effective management of cash and working capital is a key ongoing priority. The group has invoice discounting facilities and bank loans in place to ensure there are sufficient funds for its operations.

Key performance indicators

The Company's key performance indicators are turnover, margins, liquidity, risks and liability, utilisation of staff and safety, and shareholders funds. These are reviewed by the directors regularly throughout the year and measured against budgets. Turnover and margins for the company were as follows:

	2020	2019
	£	£
Turnover	13,234,482	13,570,179
Gross Profit	3,366,223	3,221,171
Gross Profit %	25	24

This report was approved by the board of directors on 19 August 2021 and signed on behalf of the board by:

D Kearle

Director

Registered office:

Morris House

South Road

Bridgend Industrial Estate

Bridgend

United Kingdom

CF31 3EB

Morris Line Engineering Limited

Directors' Report

Year ended 31 December 2020

The directors present their report and the financial statements of the company for the year ended 31 December 2020 .

Principal activities

The principal activity of the company during the period was the manufacture of electricity distribution and control apparatus.

Directors

The directors who served the company during the year were as follows:

D Kearle

S L Thomas

R Selden

A Walavalkar (Resigned 31 March 2020)

B Jones (Resigned 28 August 2020)

A Walavalkar was appointed as a director on 13 March 2019 until the resignation on 31 March 2020.

Dividends

The directors do not recommend the payment of a dividend.

Future developments

The company set out its 2021 annual plan to its shareholders in December 2020. First half year trading to 30 June 2021 has been ahead of plan.

The company continues to be well positioned to meet the unprecedented challenges of the COVID-19 pandemic. Our workplaces are "COVID-19 secure" risk assessed with core elements of our strategy including: looking after the health and wellbeing of our colleagues, working closer than ever with our clients and suppliers, combined with diligent cash management. Impact assessments have been developed for key business metrics and kept under ongoing review and updated regularly.

The Directors and senior management team's focus remains on creating long term stakeholder value by continued product R&D and service differentiation supported by professional development of our people, systems and processes to build a more resilient and flexible business.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting estimates that are reasonable and prudent; - 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. Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and - they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 19 August 2021 and signed on behalf of the board by:

D Kcarle

Director

Registered office:

Morris House

South Road

Bridgend Industrial Estate

Bridgend

United Kingdom

CF31 3EB

Morris Line Engineering Limited

Independent Auditor's Report to the Members of Morris Line Engineering Limited Year ended 31 December 2020

Opinion

We have audited the financial statements of Morris Line Engineering Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements: - give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended; - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; - have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 the 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 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: - The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including UK Companies Act, employment law, health & safety regulations and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. - We understood how the Company is complying with those legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary. - The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. The assessment did not identify any issues in this area. - We assessed the susceptibility of the Company financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included: - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud; - Understanding how those charged with management considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process; - Challenging assumptions and judgments made by management in its significant accounting estimates; and - We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and reviewing journal entries. Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also: - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors. - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. 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.

Mr David Gwyn J. Williams B.A., F.C.A

(Senior Statutory Auditor)

For and on behalf of

Clay Shaw Thomas Ltd

Chartered accountants & statutory auditor

2 Oldfield Road

Bocam Park

Bridgend

CF35 5LJ

2 September 2021

Morris Line Engineering Limited
Statement of Comprehensive Income
Year ended 31 December 2020

		Year to 31 Dec 20	Period from 16 Jan 19 to 31 Dec 19
	Note	£	£
Turnover	4	13,234,482	13,570,179
Cost of sales		(9,868,259)	(10,349,008)
Gross profit		3,366,223	3,221,171
Administrative expenses		(3,439,475)	(2,863,613)
Other operating income	5	572,657	347,000
Amortisation of negative goodwill		–	1,701,480
Commission income		–	140,985
Operating profit	6	499,405	2,547,023
Interest payable and similar expenses	9	(787)	–
Profit before taxation		498,618	2,547,023
Tax on profit	10	(60,880)	(492,538)
Profit for the financial year and total comprehensive income		437,738	2,054,485

All the activities of the company are from continuing operations.

Morris Line Engineering Limited

Statement of Financial Position

31 December 2020

		2020		2019
	Note	£	£	£
Fixed assets				
Tangible assets	12		170,829	150,565
Current assets				
Stocks	13	1,444,255		1,668,730
Debtors	14	3,559,878		5,160,060
Cash at bank and in hand		853,194		193,590
		-----		-----
		5,857,327		7,022,380
Creditors: amounts falling due within one year	15	3,505,072		5,091,545
		-----		-----
Net current assets			2,352,255	1,930,835
			-----	-----
Total assets less current liabilities			2,523,084	2,081,400
Provisions				
Taxation including deferred tax	16		30,860	26,914
			-----	-----
Net assets			2,492,224	2,054,486
			-----	-----
Capital and reserves				
Called up share capital	20		1	1
Profit and loss account	21		2,492,223	2,054,485
			-----	-----
Shareholders funds			2,492,224	2,054,486
			-----	-----

These financial statements were approved by the board of directors and authorised for issue on 19 August 2021, and are signed on behalf of the board by:

D Kearle

Director

Company registration number: 11769911

Morris Line Engineering Limited

Statement of Changes in Equity

Year ended 31 December 2020

	Called up share capital	Profit and loss account	Total
	£	£	£
At 16 January 2019	–	–	–
Profit for the year	–	2,054,485	2,054,485
	---	-----	-----
Total comprehensive income for the year	–	2,054,485	2,054,485
Issue of shares	1	–	1
	---	-----	-----
Total investments by and distributions to owners	1	–	1
At 31 December 2019	1	2,054,485	2,054,486
Profit for the year	–	437,738	437,738
	---	-----	-----
Total comprehensive income for the year	–	437,738	437,738
	---	-----	-----
At 31 December 2020	1	2,492,223	2,492,224
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Morris Line Engineering Limited

Notes to the Financial Statements

Year ended 31 December 2020

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Morris House, South Road, Bridgend Industrial Estate, Bridgend, CF31 3EB, United Kingdom.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

Going concern

The directors have assessed whether there are any 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. In assessing whether the going concern assumption is appropriate, the directors have taken in to account all available information about the future, including the impact of the Coronavirus on the business and conclude that the company has adequate recourses to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Morris Line Engineering (Holdings) Limited which can be obtained from the Companies House register. As such, advantage has been taken of the cash flow statement disclosure exemptions available under paragraph 1.12 of FRS 102.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows: (i) Revenue recognition The Company has determined the stage of completion of a contract using the method that measures most reliably the work performed. In the directors assessment, the method used were the completion of a physical proportion of the contract work or the completion of a proportion of the service contract. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows: (ii) Stock Provisions The Company constructs assets based on a customer order that can often change resulting in a parts ordered becoming obsolete. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of raw materials. (iii) Goodwill The Group has determined the valuation of negative goodwill created on acquisition of business units by reference to the fair value of the assets acquired. The valuation of amounts recoverable on contracts has been estimated as the price the asset could be sold for in an arm's length transaction on the basis of the asset's expected future income stream. This involves management estimating the present value of future economic benefits at the date of acquisition. The valuation of stock has been based on on replacement cost i.e. the cost to replace or reproduce the asset. All other assets acquired have been based on the values as per the sale agreement.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for the stage of completion of construction contracts and services rendered, stated net of discounts and of Value Added Tax. When the outcome of a transaction involving the completion of contracts or rendering of services can be reliably estimated, revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period. When the outcome of a transaction involving the rendering of services cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Negative goodwill

Negative goodwill arises on business acquisitions and represents the excess of the the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business over the cost of the acquisition. Negative goodwill is amortised in the profit or loss in which the non monetary assets are recovered and in the periods expected to be benefited

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Over lease term of 5 years
Plant and machinery	-	20% straight line
Equipment	-	33% straight line

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the accrual model and the performance model. Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset. Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Construction contracts

Where the outcome of construction contracts can be reliably estimated, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity as at the period end. Where the outcome of construction contracts cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is expensed immediately, with a corresponding provision for an onerous contract being recognised. Where the collectability of an amount already recognised as contract revenue is no longer probable, the uncollectible amount is expensed rather than recognised as an adjustment to the amount of contract revenue. The entity uses the percentage of completion method to determine the amounts to be recognised in the period. The stage of completion is measured by reference completion of a physical proportion of the contract work or the completion of a proportion of the service contract.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments are subsequently measured at amortised cost.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	Year to	Period from
	31 Dec 20	16 Jan 19 to
	£	31 Dec 19
		£
Services	1,427,278	1,204,964
Manufacture of electrical contracts	11,807,204	12,365,215
	-----	-----
	13,234,482	13,570,179
	-----	-----

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	6,208,394	8,070,363
GCC Countries	5,408,676	4,875,363
Europe	1,535,615	483,842
Rest of the World	81,797	140,611
	-----	-----
Total	13,234,482	13,570,179
	-----	-----

5. Other operating income

	Year to	Period from
	31 Dec 20	16 Jan 19 to
	£	31 Dec 19
		£
Management charges receivable	476,000	347,000
Government grant income	96,657	-
	-----	-----
	572,657	347,000
	-----	-----

6. Operating profit

Operating profit or loss is stated after charging:

	Year to	Period from
	31 Dec 20	16 Jan 19 to
	£	31 Dec 19
		£
Depreciation of tangible assets	76,751	54,746
Impairment of trade debtors	267,491	-
	-----	-----

7. Auditor's remuneration

	Year to 31 Dec 20	Period from 16 Jan 19 to 31 Dec 19
	£	£
Fees payable for the audit of the financial statements	10,000	9,750

8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020	2019
	No.	No.
Production staff	62	65
Management, engineering and administrative staff	39	42
	---	---
	101	107
	---	---

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 31 Dec 20	Period from 16 Jan 19 to 31 Dec 19
	£	£
Wages and salaries	2,767,539	2,773,953
Social security costs	248,409	258,643
Other pension costs	128,905	124,020
	-----	-----
	3,144,853	3,156,616
	-----	-----

9. Interest payable and similar expenses

	Year to 31 Dec 20	Period from 16 Jan 19 to 31 Dec 19
	£	£
Other interest payable and similar charges	787	-
	---	---

10. Tax on profit

Major components of tax expense

	Year to 31 Dec 20	Period from 16 Jan 19 to 31 Dec 19
	£	£
Current tax:		
UK current tax expense	87,263	465,624
Adjustments in respect of prior periods	(30,329)	-
	-----	-----
Total current tax	56,934	465,624
	-----	-----
Deferred tax:		
Origination and reversal of timing differences	3,946	26,914
	-----	-----
Tax on profit	60,880	492,538
	-----	-----

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19 % (2019: 19 %).

	Year to	Period from
	31 Dec 20	16 Jan 19 to
	£	31 Dec 19
		£
Profit on ordinary activities before taxation	498,618	2,547,023
Profit on ordinary activities by rate of tax	94,738	483,934
Adjustment to tax charge in respect of prior periods	(30,329)	–
Effect of expenses not deductible for tax purposes	38	8,604
Effect of capital allowances and depreciation	(3,952)	(26,914)
Deferred tax	3,946	26,914
Group relief	(3,561)	–
Tax on profit	60,880	492,538

11. Intangible assets

	Goodwill
	£
Cost	
At 1 January 2020 and 31 December 2020	(1,701,480)
Amortisation	
At 1 January 2020 and 31 December 2020	(1,701,480)
Carrying amount	
At 31 December 2020	–
At 31 December 2019	–

12. Tangible assets

	Leasehold improvements	Plant and machinery	Equipment	Total
	£	£	£	£
Cost				
At 1 January 2020	1,968	203,343	–	205,311
Additions	26,374	58,741	11,900	97,015
At 31 December 2020	28,342	262,084	11,900	302,326
Depreciation				
At 1 January 2020	198	54,548	–	54,746
Charge for the year	1,631	72,806	2,314	76,751
At 31 December 2020	1,829	127,354	2,314	131,497
Carrying amount				
At 31 December 2020	26,513	134,730	9,586	170,829
At 31 December 2019	1,770	148,795	–	150,565

Capital commitments

	2020	2019
	£	£
Contracted for but not provided for in the financial statements	–	14,601

13. Stocks

	2020	2019
	£	£
Raw materials and consumables	1,444,255	1,668,730

14. Debtors

	2020	2019
	£	£
Trade debtors	1,234,889	1,625,766
Amounts owed by group undertakings	814,912	276,149
Prepayments and accrued income	85,464	25,962
Amounts recoverable on contracts	1,301,605	3,207,510
Other debtors	123,008	24,673
	3,559,878	5,160,060

The debtors above include the following amounts falling due after more than one year:

	2020	2019
	£	£
Amounts owed by customers on construction contracts	58,339	129,223
Other debtors	72,117	–
	130,456	129,223

15. Creditors: amounts falling due within one year

	2020	2019
	£	£
Invoice discounting	774,630	896,566
Payments received on account	26,092	76,974
Trade creditors	724,445	1,286,028
Amounts owed to group undertakings	1,670,776	1,979,528
Accruals and deferred income	13,309	9,750
Corporation tax	87,263	465,624
Social security and other taxes	60,153	162,433
Other creditors	148,404	214,642
	3,505,072	5,091,545

Invoice discounting liabilities are secured by fixed and floating charges on the Company's interests in freehold, leasehold or other immovable property or in which the Group has an interest in all building trade fixtures and plant and machinery.

16. Provisions

	Deferred tax
	(note 17)
	£
At 1 January 2020	26,914
Additions	3,946
	30,860

17. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020	2019
	£	£
Included in provisions (note 16)	30,860	26,914
	-----	-----

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020	2019
	£	£
Accelerated capital allowances	30,860	26,914
	-----	-----

18. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £ 128,905 (2019: £ 124,020).

19. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2020	2019
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	96,657	-
	-----	-----

20. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £ 1 each	1	1	1	1
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21. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

22. Operating leases

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

	2020	2019
	£	£
Not later than 1 year	201,913	148,019
Later than 1 year and not later than 5 years	536,648	521,613
	-----	-----
	738,561	669,632
	-----	-----

During the year rental lease payments under non cancellable operating leases of £281,872 (2019 - £205,850) were recognised as an expense in the profit and loss.

23. Related party transactions

Morris Line Engineering Limited is a 100% subsidiary of Morris Line Engineering (Holdings) Limited, and as such has taken advantage of the exemption stated in FRS 102 whereby disclosure need not be given of transactions entered into between two or more members of the same group, provided that any subsidiary which party to the transaction is wholly owned by such member. Group consolidated financial statements are prepared and are available from Morris Line Engineering (Holdings) Limited, Morris House, South Road, Bridgend Industrial Estate, Bridgend, CF31 3EB.

24. Controlling party

The ultimate parent undertaking of Morris Line Engineering Limited is Morris Line Engineering (Holdings) Limited, a company registered in England and Wales. In the opinion of the directors there is no ultimate controlling party.

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