

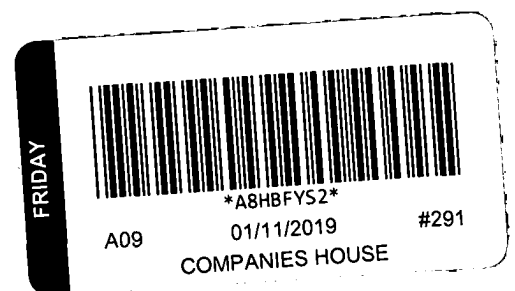
Company registration number

03527087

HELP-LINK UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



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Strategic report

for the year ended 31 March 2019

The Directors present their strategic report of the Company for the year ended 31 March 2019.

Review of the business

Help-Link UK Limited ("Help-Link" or "the Company") is one of the largest domestic boiler installation companies in the UK. Its primary objective is growing its share in the UK private domestic market on a profitable basis as part of the HomeServe PLC group, and adding to HomeServe's strategic capability.

The year under review was the first full financial year following the Company's acquisition by HomeServe PLC group in 2017. Focus has been on integrating the Company and strengthening its capability, to both enhance and leverage HomeServe's strategic offering. This has involved significant integration and restructuring activity which impacts on profitability relative to the prior year.

The sale in the prior year of the Company's service book has led to a lower revenue and gross profit position; trading performance has been affected by weak consumer confidence and an unusually hot 2018, both of which have adversely impacted UK heating demand. This coupled with the effect of a high underlying cost base which has now been addressed, has resulted in the Company reporting an operating loss before interest and exceptional items of £5.0m (2018: £3.4m).

The Company has undertaken restructuring activity during the second half of the year, to significantly enhance the capability and capacity of the business, and increase profitability going forward.

This activity has incurred a level of exceptional costs, totalling £1.45m in the year (2018: £nil).

Profit before tax was £2.6m compared to a prior year profit of £7.6m, with this comparison significantly affected by fair value movement on Loan Notes detailed in note 6.

The Statement of financial position on page 12 of the financial statements shows the Company's financial position at the year end.

Future developments

The Company is now HomeServe's UK heating installation division, serving HomeServe's existing customers along with the wider UK market. Further investment is planned to invest in both capacity and capability and significantly expand its share of the UK market.

Brexit is not one of HomeServe's enterprise risks but does continue to be monitored at a local and a Group level. Brexit is potentially one of the most significant economic events for the UK and at the date of this statement, the full range, scale and timing of potential outcomes and impacts are uncertain. However, HomeServe continues to believe the impact of the UK's decision to leave the EU and the current delay in implementing this decision on the underlying performance of the Group will be limited.

Key performance indicators

The Directors monitor performance through a number of KPIs as part of its detailed annual budgets and forecasts and compare actual performance against these budgets and prior period trends.

Strategic report

for the year ended 31 March 2019 (continued)

Principal risks and uncertainties

Risks and uncertainties that could have a material impact on the Company's future performance are:

- Market disruption
- Commercial Partnerships
- M&A Strategy
- IT and Cyber security
- Regulation and customer focus
- Recruitment and talent
- Constraints on Investment/Integration on IT systems hindering growth and efficiency
- Digital and innovation
- Financial

These risks are discussed in the group's annual report which does not form part of this report.

This report was approved by the board on 10 October 2019 and signed on its behalf by:



Mr M G Reed
Director

Directors' report

for the year ended 31 March 2019

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2019.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council.

Results and dividends

The profit for the financial year, amounted to £2,637,000 (2018: profit £7,601,000). No dividend payments were made during the year, and the directors do not propose to pay a dividend. (2018: £nil).

Review of the business, principal risks, financial risk management and future developments

The review of the business, principal risks, financial risk management and future developments are covered within the strategic report.

Going concern

The Directors have considered the appropriateness of adopting the going concern basis in preparation of these financial statements. Having considered the net liabilities and net current liability positions, risks and uncertainties to which the Company is subject, the financial resources available and the fact that the ultimate holding Company, HomeServe plc, has provided financial support and confirmed that this support will be available for at least twelve months from the date of approval of the financial statements. The Directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Mr M G Reed	(appointed 12 June 2018)
Mr J M Godber	(resigned 3 May 2019)
Mr P Nourse	
Mr J R Ford	(resigned 21 June 2018)
Mr S J Horley	(resigned 12 June 2018)
Mr M P Jones	(resigned 7 June 2018)
Mr S Townsley	(resigned 31 May 2018)
Mr R J Harrison	(resigned 30 April 2018)

Political contributions

No political contributions were made in the current or prior year.

Financial instruments

Loan notes are due to Northedge Capital LLP subject to achievement of certain performance criteria on or before 31 July 2020. The Directors have reviewed the fair value of the loan notes and the likelihood of the Company achieving the performance criteria relating to the settlement of the loan notes.

As a result of this assessment, a fair value adjustment of £10,090,000 (2018: £625,000) was recognised during the year. Further details are shown in note 6.

Directors' indemnities

HomeServe plc, the ultimate controlling party, provided qualifying third party indemnity provisions on behalf of all Directors and officers for all members of the group of companies including this Company during the year and this remains in force at the date of this report.

Directors' report

for the year ended 31 March 2019 (continued)

Health and safety

The Company is committed to providing a safe working environment for its employees. Health and safety procedures are continually being reviewed to ensure effective management of responsibilities and on-going compliance. Health and safety is discussed at monthly board meetings to establish and maintain the principles for the management of health and safety throughout the Company.

Employment policies

It is the Company's policy that all persons should be considered for employment, training, career development and promotion on the basis of their ability and attitude, regardless of physical ability, age, gender, sexual orientation, religion or ethnic origin.

The Company applies employment policies that are equitable for all employees and which ensure entry into and progression within the Company are determined solely by application of job criteria and personal competency. Full and fair consideration (having regard to the persons particular attitudes and abilities) is given to applications for employment and the career development of disabled persons. The Company's training and development policies make it clear that it will take all steps practicable to ensure that employees who become disabled during the time they are employed by the Company are able to perform their duties.

We use a range of regular communication channels to keep employees briefed on the Company's strategic and financial progress and any ongoing initiatives that may affect them. This is a two way process and employees are actively encouraged to share ideas directly with senior management.

The activity and locations of the Company are wholly within the UK.

Post balance sheet events

There are no post balance sheet events to report.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Independent auditor

Deloitte LLP have indicated their willingness to be re-appointed and appropriate arrangements have been put in place for them to be deemed re-appointed as auditor in the absence of an AGM.

Approved on behalf of the Board of Directors



Mr M G Reed
Director

Date : 10 October 2019

Registered office: 3310 Century Way, Thorpe Park, Leeds, LS15 8ZB

The Company is registered in England and Wales

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors 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.

Independent auditor's report to the members of Help-Link UK Limited

Report on the audit of the financial statements

Our opinion

In our opinion the financial statements of Help-Link UK Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March and of its profits for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Help-Link UK Limited (the 'Company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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.

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.

Independent auditor's report to the members of Help-Link UK Limited

(continued)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Independent auditor's report to the members of Help-Link UK Limited

(continued)

Use of our report

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



Neil Reed, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date: 10 October 2019

Income statement**for the year ended 31 March 2019**

	Note	2019 £'000	2018 £'000
Revenue	3	25,665	28,789
Cost of sales		(23,425)	(24,503)
Gross profit		<u>2,240</u>	<u>4,286</u>
Administrative expenses		(7,268)	(7,657)
Operating loss	4	<u>(5,028)</u>	<u>(3,371)</u>
Interest payable and similar expenses	9	(980)	(1,379)
Adjusted Profit before income tax		<u>(6,008)</u>	<u>(4,750)</u>
Exceptional items			
Restructuring (costs)/income	5	(1,452)	11,673
Fair value movement on loan notes	6	10,090	675
Profit before income tax		<u>2,630</u>	<u>7,598</u>
Tax credit on profit	10	7	3
Profit for the financial year		<u>2,637</u>	<u>7,601</u>

The Company has no other comprehensive income/(expense) other than the results for the year as stated above (2018 £nil).

Statement of financial position

as at 31 March 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	11	277	160
Property, plant and equipment		135	167
Deferred tax	13	14	3
		<u>426</u>	<u>330</u>
Current assets			
Inventories		58	67
Trade and other receivables	15	2,309	2,399
Cash and bank balances		1,078	236
		<u>3,445</u>	<u>2,702</u>
Current liabilities			
Trade and other payables	16	(4,923)	(7,012)
Provisions	17	(517)	-
Bank overdraft		(13,975)	-
Loan notes	18	-	(4,930)
		<u>(19,415)</u>	<u>(11,942)</u>
Net current liabilities		<u>(15,970)</u>	<u>(9,240)</u>
Total assets less current liabilities		<u>(15,544)</u>	<u>(8,910)</u>
Non-current liabilities			
Loan notes	18	-	(9,275)
Net liabilities		<u>(15,544)</u>	<u>(18,185)</u>
Equity			
Called up share capital	19	10	10
Capital contribution reserve	20	2,075	2,075
Profit and loss account		(17,629)	(20,270)
Equity attributable to owners of the Company		<u>(15,544)</u>	<u>(18,185)</u>

The financial statements of Help-Link UK Limited, registered number 03527087, were approved by the board of Directors and authorised for issue on 10 October 2019. They were signed on its behalf by:



Mr M G Reed
Director

Company Registration Number: 03527087

Statement of changes in equity
for the year ended 31 March 2019

	Note	Called up share capital £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2017		<u>10</u>	<u>-</u>	<u>(27,871)</u>	<u>(27,861)</u>
Changes in equity					
Profit for the year		-	-	7,601	7,601
Movement during the year	20	-	2,075	-	2,075
Total changes in equity		<u>-</u>	<u>2,075</u>	<u>7,601</u>	<u>9,676</u>
Balance at 31 March 2018		<u>10</u>	<u>2,075</u>	<u>(20,270)</u>	<u>(18,185)</u>
Changes in equity					
Profit for the year		-	-	2,637	2,637
Deferred tax on share options	13	-	-	4	4
Total changes in equity		<u>-</u>	<u>-</u>	<u>2,641</u>	<u>2,641</u>
Balance at 31 March 2019		<u>10</u>	<u>2,075</u>	<u>(17,629)</u>	<u>(15,544)</u>

Notes to the financial statements for the year ended 31 March 2019

1. General information

Help-Link is one of the largest domestic boiler installers in the UK.

The Company is a private company limited by shares, registered in England and Wales. The address of its registered office is 3310 Century Way, Thorpe Park, Leeds, LS15 8ZB.

These financial statements are presented in pounds sterling because this is the currency of the primary economic environment in which the Company operates.

2. Summary of significant accounting policies

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

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 April 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The key impact of the standard on adoption at 1 January 2018 are outlined below:

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company adopted IFRS 9 from 1 April 2018 and in accordance with the transitional provisions in the Standard, comparatives have not been restated. The adoption of IFRS 9 resulted in changes in accounting policies, however, there were no material changes to the classification or carrying amounts of financial assets and liabilities.

IFRS 15 replaces the provisions of IAS 18 that relate to the recognition of revenue. The adoption of IFRS 15 from 1 April 2018 resulted in changes in accounting policies. Revenue is now recognised as performance obligations are satisfied, whether over time or at a point in time. Where a customer contract contains multiple performance obligations, the transaction price is allocated to each distinct performance obligation based on the relative standalone selling prices of the goods or services being provided to the customer.

Prior year (2018) revenue was recognised in accordance with the following policy:

Revenue for the provision of services is recognised when it is probable that an economic benefit will flow to the entity and the revenue including related costs can be reliably measured. Revenue from boiler installation along with associated revenue and service/repair is recognised using the stage of completion usually when the installation/service/repair is complete, subject to customer confirmation of the successful service delivery.

Standards in issue but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective

IFRS 16 Leases

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Notes to the financial statements

for the year ended 31 March 2019 (continued)

2. Accounting policies (continued)

Amendments to IFRS 3 Definition of a Business

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 1 and IAS 8 Definition of Material

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Annual Improvements to IFRSs 2015-2017 Cycle

Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards

IFRS 16 is effective for the Company 1 April 2019 and will change lease accounting for lessees under operating leases. Such agreements will require recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs (e.g. rent charges) will be recognised as depreciation and interest, rather than as an operating cost.

The Company plans on adopting the modified retrospective approach with the "right of use" (RoU) asset equal to the lease liability at transition date, less any lease incentives received. Adoption of IFRS 16 will cause a material decrease to operating costs largely offset by a material increase to the combined depreciation and interest expenses, resulting in a net immaterial impact to profit before tax. Non-current assets and gross liabilities are both expected to increase by c£0.6m to £0.8m with net assets remaining unchanged. Although total cash outflows will remain consistent, rental outflows will now be presented under financing activities, where they were previously recorded as operational outflows, thereby increasing the Company's cash conversion percentage

The Company has elected not to recognise RoU assets and lease liabilities for short-term leases (with a term of 12 months or less) or low-value assets (where the cost of the asset new would be approximately £3,800). The Company will continue to expense the lease payments associated with these leases on a straight line basis over the lease term.

The Directors do not expect that the adoption of the other Standards and Interpretations listed above will have a material impact on the financial statements of the Company in future years.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS100 "Application of Financial Reporting Requirements" issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

As permitted by FRS101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of HomeServe plc. The group accounts of HomeServe plc are available to the public and can be obtained from its registered office at Cable Drive, Walsall, WS2 7BN.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

2. Accounting policies (continued)

The financial statements have been prepared on the historical cost basis, except for loan notes which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Going concern

The Directors have considered the appropriateness of adopting the going concern basis in preparation of these financial statements. Having considered the net liabilities and net current liability positions, risks and uncertainties to which the Company is subject, the financial resources available and the fact that the ultimate holding Company, HomeServe plc, has provided financial support and confirmed that this support will be available for at least twelve months from the date of approval of the financial statements, the Directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Revenue is recognised, net of discounts, VAT, Insurance Premium Tax and other sales-related taxes, either at the point in time a performance obligation has been satisfied or over time as control of the asset associated with the performance obligation is transferred to the customer.

For all contracts identified, the Company determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, management applies judgement to consider whether those promised goods and services are:

- i. Distinct - to be accounted for as separate performance obligations;
- ii. Not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct; or
- iii. Part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

The Company disaggregates revenue from contracts with customers between installation and service repair as management believe this best depicts how the nature, amount, timing and uncertainty of the Company revenue and cash flows are affected by economic factors. The following outlines the principal activities from which the Company derives revenue and how it is recognised:

Installation services and related income

- includes the provision of installation services. Revenue is recognised at the point in time when the installation or service is complete.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

2. Accounting policies (continued)

Service and repair income

- principally includes services provided to repair boilers. Revenue is recognised at the point in time when the service is complete.

Provisions policy

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted to present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Share-based payments

The ultimate parent, HomeServe PLC Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the income statement.

Exceptional items

The Company recognises and separately discloses exceptional income or expenditure items which relate to transactions that are unusual due to their size and nature or outside the normal course of the Company's trade.

Interest payable and similar expenses

Interest expense for all interest bearing financial instruments is recognised in "Interest payable and similar expenses" using the effective interest rates of the financial liabilities to which it relates. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instruments, to the net carrying amount.

Taxation

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

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

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

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

2. Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

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

Leasehold property	-	10% straight line basis
Fixtures & fittings	-	15% to 33.3% straight line basis
IT equipment	-	20% to 33.3% straight line basis

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine where there is any indication that those assets have suffered impairment loss. If any such indication exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing. Interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when liabilities are derecognised, as well as through the amortisation process.

Embedded derivatives

Where a financial liability contains an embedded derivative that is not closely related to the host contract, the Company elects to treat the entire instrument as at fair value through profit and loss upon initial recognition and subsequent measurement.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

2. Accounting policies (continued)

Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowance for estimated irrecoverable amounts. They are recognised when the Company's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of life-time credit losses from initial recognition and are determined using an expected credit loss approach.

Bank overdraft/cash and cash equivalents

Cash and cash equivalent comprise cash in hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are not interest-bearing and are stated as amortised cost.

Equity including capital contributions

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The Company recognised capital contributions in respect of transactions with equity holders directly in equity.

Dividends payable

Dividends on ordinary shares are recognised in the financial statements in the period in which the dividends are approved by the shareholders of the Company (generally in the case of the final dividend) or paid (in the case of interim dividends).

Critical accounting judgements and estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historic experiences and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognise 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.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

2. Accounting policies (continued)

Critical accounting judgements and estimation uncertainty (continued)

Critical accounting judgements - *Loan notes*

On 31 July 2017, the loan notes from Northedge Capital LLP were varied which converted the existing loans and accrued interest into a single interest free loan of £15.5m. The loan will be repaid in instalments if the Company achieves certain performance criteria on or before 31 July 2020.

Key source of estimation - *Loan notes*

The Directors have reviewed the fair value of the loan notes and the likelihood of the Company achieving the performance criteria attached to each contingent condition relating to the settlement of the loan notes. To determine the fair value of the loan notes an estimation of the timing of contingent payments has been made taking into account the expected number of boiler installations at the reporting date.

It was determined that at the reporting date the 26% increase in Installation volume attached to the remaining contingent payments would not be met.

As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The carrying value of the loan notes is £nil (2018: £14,205,000) at the reporting date. Following an assessment by the Directors, a fair value adjustment of £10,090,000 (2018: £625,000) was recognised during the year to reflect when the contingent conditions are likely to be met and the loan notes settled.

Further information on the loan notes is set out in notes 6 and 18.

3. Revenue

The revenue is attributable to the one principal activity of the Company. All revenue is generated in the United Kingdom. Revenues are recognised at a point in time, based upon installation completion or service performed.

	2019 £'000	2018 £'000
Installation services and related revenue	24,874	25,431
Servicing and repairs	791	3,358
	<u>25,665</u>	<u>28,789</u>

4. Profit before tax

Profit before tax is stated after charging:

	Note	2019 £'000	2018 £'000
Amortisation of intangible assets	11	99	107
Depreciation of property, plant and equipment	12	98	102
Loss on write off of intangible fixed assets		-	29
Loss on disposal of property, plant and equipment		3	4
Loss on write-off of property, plant and equipment		-	134
Operating leases costs:			
- Property, vehicles and equipment		<u>1,040</u>	<u>1,191</u>

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £60,000 (2018: £45,000).

No fees were payable to Deloitte LLP for non-audit services to the Company (2018: £9,000).

Notes to the financial statements

for the year ended 31 March 2019 (continued)

7. Staff costs

The monthly average number of staff employed by the Company during the financial year, amounted to:

	2019 No.	2018 No.
Sales and Marketing	111	87
Admin	24	22
Operations	173	217
Total Number of staff	<u>308</u>	<u>326</u>

The aggregate payroll costs of the above were:

	2019 £'000	2018 £'000
Wages and salaries	10,022	8,117
Social security costs	945	905
Other pension costs	142	22
	<u>11,109</u>	<u>9,044</u>

8. Directors' remuneration

The Directors' aggregate remuneration in respect of qualifying services was:

	2019 £'000	2018 £'000
Remuneration receivable	523	1,142
Value of Company pension contributions to money purchase schemes	16	41
	<u>539</u>	<u>1,183</u>

Highest paid Director

	2019 £'000	2018 £'000
Total remuneration (including pension contributions)	<u>243</u>	<u>409</u>

Richard Harrison resigned from the Board and subsequently left the Company on 30th April 2018.

Salary and Benefits

In accordance with his contract he received a payment equivalent to six months' salary and benefits as compensation for the remainder of his notice period, an ex-gratia payment equivalent to six months' salary and benefits and an enhanced redundancy payment equivalent to nine weeks salary.

Richard received a capped contribution towards his reasonable legal fees incurred in connection with his departure, up to a maximum of £350 plus VAT

Directors' emoluments for certain Directors serving were borne by fellow Group undertakings and no part of their remuneration is specifically attributable to services provided to Help-Link UK Limited.

	2019 No.	2018 No.
Money purchase schemes	<u>2</u>	<u>6</u>

Notes to the financial statements

for the year ended 31 March 2019 (continued)

9. Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest on bank overdraft	95	25
Interest on other long term loans	-	518
Unwind of notional interest on loan notes	885	836
	<u>980</u>	<u>1,379</u>

10. Tax on profit

(a) Analysis of credit in the year

	2019 £'000	2018 £'000
Current tax		
In respect of the year:		
Current tax (credit)	(7)	(3)
Total current tax	<u>(7)</u>	<u>(3)</u>
Deferred tax:		
Deferred tax credit	-	-
Effect of changes in tax rates	-	-
Total tax per income statement	<u>(7)</u>	<u>(3)</u>

UK Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year.

(b) Factors affecting current tax credit

The credit for the year can be reconciled to the income statement as follows:

	2019 £'000	2018 £'000
Profit before taxation	<u>2,630</u>	<u>7,598</u>
Tax at the UK corporation rate of 19% (2018:19%)	500	1,444
Effects of :		
Adjustments in respect of prior year	-	-
Expenses not deductible in determining taxable profit	-	335
Income that is not taxable in determining taxable profit	-	(1,254)
Losses utilised	(507)	(528)
Tax rates changes	-	-
Tax (credit) for the period	<u>(7)</u>	<u>(3)</u>
Total tax (credit) reported in the income statement	<u>(7)</u>	<u>(3)</u>

Notes to the financial statements**for the year ended 31 March 2019** (continued)**11. Intangible assets**

	IT Software
	<i>£'000</i>
Cost	
At 1 April 2018	552
Additions	216
Disposals	(21)
At 31 March 2019	<u>747</u>
Accumulated depreciation	
At 1 April 2018	392
Charge for the year	99
Disposals	(21)
At 31 March 2019	<u>470</u>
Net book value	
At 31 March 2019	<u>277</u>
At 31 March 2018	<u>160</u>

The charge for the year is included in administrative expenses within the income statement.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

12. Property, plant and equipment

	Short-term Leasehold property £'000	fittings	IT equipment £'000	Total £'000
Cost				
At 1 April 2018	37	-	348	999
Additions	-	-	69	69
Transfers	-	-	-	-
Disposals	-	(246)	(226)	(472)
At 31 March 2019	<u>37</u>	<u>(246)</u>	<u>191</u>	<u>596</u>
Accumulated depreciation				
At 1 April 2018	-	-	284	832
Charge for the year	4	56	38	98
Transfers	-	-	-	-
Disposals	-	(245)	(224)	(469)
At 31 March 2019	<u>4</u>	<u>(189)</u>	<u>98</u>	<u>461</u>
Net book value				
At 31 March 2019	<u>33</u>	<u>(57)</u>	<u>93</u>	<u>135</u>
			<u>(7)</u>	<u>(3)</u>
At 31 March 2018	<u>37</u>	<u>-</u>	<u>64</u>	<u>167</u>

13. Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior year:

	Share Schemes £'000	Total £'000
At 31 March 2017	-	-
Credit to income statement	3	3
At 31 March 2018	<u>3</u>	<u>3</u>
Credit to income statement	7	7
Credit to equity	4	4
At 31 March 2019	<u>14</u>	<u>14</u>

Deferred tax has not been recognised on £8.9m (2018: £11.6m) of unused losses due to the uncertainty over timing of future recovery. There are no expiry dates in respect of the unrecognised tax losses in either year.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

14. Inventories

	2019 £'000	2018 £'000
Materials	58	67

There is no significant difference between the replacement cost of materials and their carrying value. Inventories recognised as an expense in the period is £10.2m. The amount is included in cost of sales.

There has been no impairment to the value of inventories (2018: £nil).

15. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	1,472	1,291
Amounts owed by group undertakings	175	-
Other receivables	51	55
Prepayments and accrued income	611	1,053
	<u>2,309</u>	<u>2,399</u>

Trade debtors are all due within one year (2018: all due within one year).

Trade receivables are stated after provision for impairment of £161,000 (2018: £125,000).

The amounts owed by group undertakings are not subject to any fixed terms for repayment and are not subject to interest.

16. Trade and other payables

	2019 £'000	2018 £'000
Trade creditors	2,811	2,966
Amounts owed to/(due from) group undertakings	-	1,041
Other taxation and social security	740	1,624
Other creditors	60	179
Accruals and deferred income	1,004	1,202
Corporation tax	308	-
	<u>4,923</u>	<u>7,012</u>

Amounts owed to group undertakings were not subject to interest and were repayable on demand.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

17. Provisions

	2019 £'000	2018 £'000
Opening	-	-
New Provision	1,452	-
Utilised	(935)	-
Closing	<u>517</u>	<u>-</u>

A restructuring of the Company's operations was announced in February 2019, leading to a provision in respect of roles identified as being redundant. The provision is expected to be fully utilised by 31 March 2020.

18. Loan notes

	2019 £'000	2018 £'000
Current liabilities	-	4,930
Non-current liabilities	-	9,275
Other long term loans	-	-
	<u>-</u>	<u>14,205</u>

£5.0m of the loan notes were repaid during the year, under the terms of the Company's acquisition in 2018.

These loan notes are designated as fair value through profit and loss and categorised as level 3.

The Directors have reviewed the fair value of the loan notes and the likelihood of the Company achieving the performance criteria attached to each contingent condition relating to the settlement of the loan notes.

To determine the fair value of the loan notes an estimation of the timing of contingent payments has been made taking into account the expected number of boiler installations at the reporting date. It was determined that at the reporting date the 26% increase in Installation volume attached to the remaining contingent payments would not be met. We did not attribute any fair value movement to change in credit risk.

19. Called up share capital

Allotted, authorised, called up and fully paid:

	2019 No.	2019 £'000	2018 No.	2018 £'000
Ordinary shares of £1 each	<u>10,000</u>	<u>10</u>	<u>10,000</u>	<u>10</u>

20. Capital contribution reserve

	2019 £'000	2018 £'000
Movement during the year	<u>-</u>	<u>2,075</u>

Following the acquisition in August 2017, HomeServe Assistance Limited settled the Company's overdraft of £1.7m and injected £0.4m of capital, both treated as capital contributions and recognised directly to the statement of changes in equity.

Notes to the financial statements

for the year ended 31 March 2019 (continued)

21. Commitments under operating leases

At 31 March, the Company had commitments under non-cancellable operating leases as set out below.

	Land & buildings 2019 £'000	Other £'000	Land & buildings 2018 £'000	Other 2018 £'000
Operating leases which expire:				
Within 1 year	-	-	-	38
Within 2 to 5 years	701	-	648	110
After more than 5 years	-	-	271	-
	<u>701</u>	<u>-</u>	<u>919</u>	<u>148</u>

22. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 not to disclose transactions with group undertakings where 100% of the voting rights are controlled within the group.

Details of transactions between the Company and other related parties during the year are disclosed below. Jelmart Limited, a Company controlled by Martin Jones who was a Director during the year was paid £6,000 (2018: £40,000) during the period that he was a Director.

23. Pension costs

The Company offers a salary sacrifice pension contribution to all eligible employees. The pension contributions that were charged to the income statement for the year were £183,000 (2018: £109,000). As at 31 March 2019 contributions due to the pension administrator equated to £33,000 (2018: £19,000)

24. Ultimate parent Company and controlling party

The immediate parent Company is HomeServe Membership Limited. Prior to this, until 7 January 2019, the immediate parent Company was HomeServe Assistance Limited.

The ultimate parent Company is HomeServe plc which is registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by HomeServe plc. The consolidated accounts of the Group are available to the public and may be obtained from Cable Drive, Walsall, West Midlands, WS2 7BN.

25. Subsequent events

There were no subsequent events to report.