Help-Link UK Limited

Annual report and financial statements for the year ended

31 March 2020

Company Registration No: 03527087

Contents

Strategic Report

The Directors present their strategic report for the year ended 31 March 2020.

Principal Activity

Help-Link UK Limited (the Company) is a wholly owned subsidiary of HomeServe Membership Limited whose ultimate parent company is HomeServe PLC and operates as part of its UK segment. Help-Link UK Limited 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 (the Group), and adding to HomeServe's strategic capability.

The Company's principal activity is that of domestic boiler installations, through HomeServe's existing customers and wider UK marketing activities. There have not been any significant changes in the Company's principal trading activity in the period under review.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year. The Company's future outlook is discussed in more detail on page 4 within the Going Concern and Future Outlook section.

Financial Review

The Company's results are being reported under IFRS 16 for the first time in 2020 following the mandatory adoption of the standard from 1 April 2019. In accordance with the transitional provisions of the standards, comparatives have not been restated. See note 2.

The Company's results are shown in the income statement on page 11. Revenue has decreased from £25,665,000 to £23,717,000 with a focus on improving profitability rather than maximising sales volumes. Operating costs reduced from £23,425,000 to £22,782,000 as a result of a reduction in sales volumes. The reduction in operating costs was partially offset by the Company contributing towards an interest free credit offer on boiler installations during 2020. The restructure announced in February 2019 has reduced administrative expenses from £7,268,000 to £5,931,000. Interest costs have reduced from £980,000 to £25,000 as a result of the 2019 fair value reassessment of the Company's loan notes to £nil. This has resulted in the loss before income tax and exceptional items improving from (£6,008,000) to (£5,021,000). The Coivd-19 lockdown commenced part way through March 2020 and led to a reduction in enquiries and installations, however, it is not considered to have had a material impact on the 2020 financial performance. The balance sheet on page 12 of the financial statements shows the Company's financial position at the year end. The loss after tax for the year has increased net liabilities from £15,544,000 to £18,397,000.

Environment

The Company is committed to environmental sustainability. We recognise that the Company has a responsibility to act in a way that respects the environment and as such, all our employees are encouraged to incorporate an awareness of environmental issues into decision-making processes.

The Company operates in accordance with Group policies, which are described in the Group's Annual Report which does not form part of this Report.

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 management 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 abilities and attitudes, regardless of physical ability, age, gender, sexual orientation, religion or ethnic origin.

The Company applies employment policies that are fair and equitable for all employees and which ensure entry into and progression within the Company are determined solely by application of job criteria and personal ability and competency.

Full and fair consideration (having regard to the person's 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 continue 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 and opinions with senior management.

There is a Group wide employee share scheme – "One Plan" in which all employees are able to participate and to share in HomeServe's success.

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.

Purpose and Leadership

As a wholly owned subsidiary, our strategy is driven by our parent company's purpose which is to make home repairs and improvements easy. We have a clearly defined strategy focused on an aspiration to be the UK's favourite people to help with your home and this has been clearly communicated throughout the organisation.

Our values and culture are articulated through our People and Customer Promises and the Board receives regular updates in respect of employee engagement and customer insight. The Board gains valuable insight and feedback from the Executive Directors in respect of the culture and behaviour across the business and the internal audit function also considers culture as part of their reviews.

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 & Cyber Security;
- Regulation & Customer Focus;
- Recruitment & Talent;
- Constraints on Investments on IT systems hindering growth and efficiency;
- Digital & Innovation;
- Financial;
- COVID-19.

Brexit is not one of the Company's enterprise risks but does continue to be monitored at a local and a Group level following the UK's formal exit on 31 January 2020. 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 where risks are also around the transitional period negotiations. However, the Company continues to believe the impact on the underlying performance of the business will be limited as it trades exclusively within UK borders and the Company is therefore not exposed to any cross border transactional currency risk.

These risks are discussed in the Group's Annual Report.

Going concern and Future Outlook

The Company is HomeServe's UK heating installation division, serving HomeServe's existing customers along with the wider UK market. Management focus remains on returning the company to profitability.

The ultimate parent company has provided the Directors with a legally binding written obligation that it will continue to provide the Company with financial and non-financial support for a period of at least 12 months from the date of approval of the financial statements. The Directors are satisfied that the ultimate parent company has the ability to provide financial support when necessary, and the Company is a key part of the Group's overall business activities.

The Directors confirm that, after reviewing the Company's business model, budget and projected cash flows, and considering the written obligation received from the ultimate parent company, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. As part of the review of the Company's budget and projected cash flows, the Directors have considered the impact of the COVID-19 crisis and are satisfied that the longer term prospects of the business remain unchanged. For this reason, the Directors have adopted and will continue to adopt the going concern basis in preparing the financial statements.

COVID-19 is having a deep and pronounced effect on the world economy and the repercussions for many aspects of society including, but not limited to, future economic growth, government policy and changing consumer attitudes and behavior are likely to be felt for some time.

The UK wide lockdown has had a negative impact on the Company's performance during the first quarter of 2021 as the business focused on emergency work only. There is a high degree of uncertainty for many businesses but the Company is a strategic part of a wider Group which has been resilient during times of previous economic crisis. The Group's strong balance sheet, its healthy funding position and legally binding offer of support to the Company for a period of at least 12 months from the date of approval of the financial statements provide the Directors with a level of confidence for the future. The business also responded quickly and effectively to be able to continue operating and respond to customers' boiler installation emergencies throughout the height of the lockdowns in March, and April and May 2020.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

This report was approved by the board 24th July 2020 and signed on its behalf by:

Mr R J Shepherd
Managing Director

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2020.

An indication of likely future developments in the business of the Company alongside discussion of going concern, principal risks and uncertainties and employment policies are included in the Strategic Report.

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 loss for the financial year amounted to a loss of (£2,851,000) (2019: profit £2,637,000). No dividend payments were made during the year, and the directors do not propose to pay a dividend (2019: £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.

Directors

The Directors who held office up to the date of signing, unless as stated, were as follows:

Mr M G Reed
Mr R J Shepherd (appointed 24 April 2020)
Mr N Kasmir (appointed 24 April 2020)
Mr P Nourse (resigned 24 April 2020)
Mr J M Godber (resigned 3 May 2019)

None of the Directors had a material interest in any trading contract to which the Company was a party to during the financial year.

Political Contributions

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

Going Concern

The Directors assessment of the Company's going concern and future outlook are contained within the strategic report.

Directors' indemnities and insurance

HomeServe PLC, the ultimate controlling party, provided qualifying third party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of this report. The Company maintains directors' and officers' liability insurance for its Directors and officers.

Post balance sheet events

There have been no post balance sheet events identified since the year end to report.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

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

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

Approved and authorised for issue by the board of directors and signed on its behalf by:

Mr R J Shepherd
Managing Director
24th July 2020

Mr N Kasmir
Chief Finance Officer
24th July 2020

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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 these financial statements, Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on an 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

Independent auditor's report to the members of Help-Link Limited
Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

DocuSigned by:
Neil Reed
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Neil Reed, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date: 24th July 2020

Income Statement

Year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	3	23,717	25,665
Cost of sales		(22,782)	(23,425)
Gross profit		**935**	**2,240**
Administrative expenses		(5,931)	(7,268)
Operating loss	4	**(4,996)**	**(5,028)**
Interest payable and similar expenses	5	(25)	(980)
Loss before exceptional items and income tax		**(5,021)**	**(6,008)**
Exceptional items			
Restructuring (costs)	6	-	(1,452)
Fair value movement on loan notes	7	-	10,090
(Loss)/Profit after exceptional items and before income tax		**(5,021)**	**2,630**
Tax credit	8	2,170	7
(Loss)/Profit for the financial year		**(2,851)**	**2,637**

A statement of comprehensive income/(expense) is not presented, as there are no movements in other comprehensive income/(expense) for the year (2019: £nil).

Balance Sheet

As at 31 March 2020

	Notes	2020 £'000	2019 £'000
Non-Current Assets			
Intangible assets	11	264	277
Property, plant and equipment	12	93	135
Right of use asset	13	481	-
Deferred tax	14	3	14
		841	**426**
Current Assets			
Inventories	15	38	58
Trade and other receivables	16	2,390	2,309
Corporation tax		550	-
Cash and bank balances		317	1,078
		3,296	**3,445**
Total assets		**4,137**	**3,871**
Current Liabilities			
Trade and other payables	17	(5,047)	(4,923)
Provisions	18	-	(517)
Lease liabilities	13	(239)	-
Bank overdraft		(17,027)	(13,975)
		(22,313)	**(19,415)**
Net current liabilities		**(19,017)**	**(15,970)**
Total assets less current liabilities		**(18,176)**	**(15,544)**
Non-current liabilities			
Lease liabilities	13	**(221)**	-
Net liabilities		**(18,397)**	**(15,544)**
Equity			
Called up share capital	19	10	10
Capital contribution reserve	20	2,075	2,075
Profit and loss account		(20,482)	(17,629)
Total Equity		**(18,397)**	**(15,544)**

The financial statements of Help-Link UK Limited, registered number 03527087, were approved by the board of Directors and authorised for issue on 24th July 2020. They were signed on its behalf by:

Mr R J Shepherd
Managing Director
24th July 2020

Statement of Changes in Equity

Year ended 31 March 2020

	Notes	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
Balance at 1 April 2019		10	2,075	(17,629)	**(15,544)**
Loss for the year and comprehensive income		-	-	(2,851)	**(2,851)**
Deferred tax charge	14	-	-	(3)	**(3)**
Total changes in equity		-	-	(2,854)	**(2,854)**
Balance at 31 March 2020		10	2,075	(20,482)	**(18,397)**

Year end 31 March 2019

	Notes	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
Balance at 1 April 2018		10	2,075	(20,270)	**(18,185)**
Profit for the year		-	-	2,637	**2,637**
Deferred tax credit	14	-	-	4	**4**
Total changes in equity		-	-	2,641	**2,641**
Balance at 31 March 2019		10	2,075	(17,629)	**(15,544)**

Notes to the financial statements

Year ended 31 March 2020

1. General information

Help-Link UK Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is 3310 Century Way, Thorpe Park, Leeds, LS15 8ZB.

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

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRSs, adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period.

The Company meets the definition of a qualifying entity under FRS100 "Application of Financial Reporting Requirements" issued by FRC. Accordingly, these financial statements were prepared in accordance with the 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 accounts of HomeServe PLC are available to the public and can be obtained from its registered office at Cable Drive, Walsall, WS2 7BN.

Adoption of new or revised standards and accounting policies

The following accounting standards, interpretations and amendments have been adopted in the year:

IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment features and negative compensation
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

None of the items listed above have had any material impact on the amounts reported in this set of financial statements. The impact of IFRS 16 Leases, is discussed under 'Changes in accounting policies' and 'Financial impact of adoption of IFRS 16' below.

Changes in accounting policies

The Company has adopted IFRS 16 with effect from 1 April 2019. In accordance with the transitional provisions of the standard, comparatives have not been restated. The impacted accounting policies for the years ended 31 March 2020 and 31 March 2019 are outlined below.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. The Company has adopted IFRS 16 using the modified retrospective approach with a date of initial application of 1 April 2019. Comparative information has not been restated.

2. Significant accounting policies (continued)

Impact on lessee accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17. With the exception of low value assets (below £4k) and short term leases (with a term of 12 months or less), the Company now recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments. The depreciation of the right-of-use asset and interest charges on the outstanding lease liability replace the IAS 17 straight-line rental expense previously booked to operating costs. Any lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight line basis.

Right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

The Company is not party to any material leases where it acts as a lessor, but does contract as lessee for a significant number of property and vehicle leases, which aggregate to a material commitment.

Approach to transition and practical expedients adopted

In respect of those leases the Company previously treated as operating leases, the Company has elected to measure right-of-use assets using the approach set out in IFRS 16.C8(b)(ii). Under this approach right-of-use assets are calculated at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to the lease that were recognised in the balance sheet at 31 March 2019.

At 1 April 2019 right-of-use assets of £728k and lease liabilities of £701k, were recognised on the balance sheet. There was no impact to opening reserves. The Company's weighted average incremental borrowing rate applied to lease liabilities as at 1 April 2019 was 2.5%.

The table below presents a reconciliation from IAS 17 operating lease commitments disclosed at 31 March 2019 to IFRS 16 lease liabilities recognised at 1 April 2019.

	£'000
Operating lease commitments disclosed under IAS 17 at 31 March 2019	774
Discounting	(26)
Impact of lease term reassessments under IFRS 16 vs. IAS 17	-
Other movements	(20)
IFRS 16 lease liabilities recognised at 1 April 2019	**728**

The complete impact on the income statement during the twelve month period to 31 March 2020 is presented under 'Financial impact of adoption of IFRS 16' below. During that period the Company recognised a £247k depreciation charge in relation to right-of-use assets and a £14k finance expense in relation to interest on lease liabilities.

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 April 2019.

As part of the Company's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Company also elected to use the following practical expedients:

- The Company has not made any adjustments on transition for leases for which the underlying asset is of low value (as described in paragraphs B3 – B8 of IFRS 16)

2. Significant accounting policies (continued)

The Company has adjusted the carrying amount of right-of-use assets at 1 April 2019 by the carrying amount of onerous lease provisions at 31 March 2019 instead of performing impairment reviews under IAS 36

Details of the Company's accounting policies under IFRS 16 are set out below, followed by a presentation of the financial impact of adopting IFRS 16. Judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Accounting policy for leases (effective 1 April 2019)

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (where the value of the asset is below £4k). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses a lease specific incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- fixed service costs associated with the Company's property and vehicle lease portfolios (as the Company has elected to apply the expedient available under paragraph 15 of IFRS 16 not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement);
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are subsequently measured at amortised cost using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate:
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used):

2. Significant accounting policies (continued)

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and the useful life of the underlying asset. Depreciation begins at the commencement date of the lease.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Variable rents

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Cost of Sales" and "Interest Payable and Similar Expenses" in the income statement.

Leasing (applicable up to 31 March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Financial impact of adoption of IFRS 16

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Provisions for onerous lease contracts have been derecognised and operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-to-use assets and lease liabilities.

Notes to the financial statements

Year ended 31 March 2020

2. Significant accounting policies (continued)

The following abridged statements summarise the impact of adopting IFRS 16 on the Company's Income Statement and Balance Sheet for the year ended 31 March 2020.

Impact on the income statement

	As reported 31-Mar-20	IFRS 16 adjustments	Amounts without adoption
	£000	£000	£000
Continuing operations			
Revenue	**23,717**	-	23,717
Cost of sales	**(22,782)**	-	(22,782)
Gross Profit	**935**	-	935
Administrative expenses	**(5,931)**	35	(5,966)
Operating Loss	**(4,996)**	35	(5,031)
Interest payable and similar expenses	**(25)**	(14)	(11)
Loss before income tax	**(5,021)**	21	(5,042)
Tax credit	**2,170**	-	2,170
Loss for the financial year	**(2,851)**	21	(2,872)

Notes to the financial statements

Year ended 31 March 2020

2. Significant accounting policies (continued)

Impact on the Balance Sheet

		As reported 31-Mar-20	IFRS 16 adjustments	Amounts without adoption
		£000	£000	£000
Non-current assets				
Right of use assets	i)	481	481	-
Others		360	-	360
		841	481	360
Current assets		3,296	-	3,296
Total assets		4,137	481	3,656
Current liabilities				
Lease liabilities	i)	(239)	(239)	-
Others		(22,074)	-	(22,074)
		(22,313)	(239)	(22,074)
Net current liabilities		(19,017)	(239)	(18,778)
Non-current liabilities				
Lease liabilities	i)	(221)	(221)	-
Total liabilities		(22,534)	(460)	(22,074)
Net liabilities		(18,397)	21	(18,418)
Equity				
Retained earnings		(20,482)	21	(20,503)
Others		2,085	-	2,085
		(18,397)	21	(18,418)

References

i. Under IAS 17 lessees did not record assets and commitments associated with operating lease contracts on the balance sheet. IFRS 16 removes the distinction between operating and finance leases for lessees and requires that they recognise right of use assets and lease liabilities for all lease contracts. At 31 March 2020 this resulted in the recognition of **right of use assets of £0.5m and lease liabilities of £0.5m.**

2. Significant accounting policies (continued)

Going concern

The Company is HomeServe's UK heating installation division, serving HomeServe's existing customers along with the wider UK market. Management focus remains on returning the company to profitability.

The ultimate parent company has provided the Directors with a legally binding written obligation that it will continue to provide the Company with financial and non-financial support for a period of at least 12 months from the date of approval of the financial statements. The Directors are satisfied that the ultimate parent company has the ability to provide financial support when necessary, and the Company is a key part of the Group's overall business activities.

The Directors confirm that, after reviewing the Company's business model, budget and projected cash flows, and considering the written obligation received from the ultimate parent company, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. As part of the review of the Company's budget and projected cash flows, the Directors have considered the impact of the COVID-19 crisis and are satisfied that the longer term prospects of the business remain unchanged. For this reason, the Directors have adopted and will continue to adopt the going concern basis in preparing the financial statements.

COVID-19 is having a deep and pronounced effect on the world economy and the repercussions for many aspects of society including, but not limited to, future economic growth, government policy and changing consumer attitudes and behavior are likely to be felt for some time.

The UK wide lockdown has had a negative impact on the Company's performance during the first quarter of 2021 as the business focused on emergency work only. There is a high degree of uncertainty for many businesses but the Company is a strategic part of a wider Group which has been resilient during times of previous economic crisis. The Group's strong balance sheet, its healthy funding position and legally binding offer of support to the Company for a period of at least 12 months from the date of approval of the financial statements provide the Directors with a level of confidence for the future. The business also responded quickly and effectively to be able to continue operating and respond to customers' boiler installation emergencies throughout the height of the lockdowns in March, and April and May 2020.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The principal accounting policies adopted are set out below:

Revenue recognition

The Company records revenue in accordance with the five-step recognition model outlined in IFRS 15:

1) Identify the contract with the customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations
5) Recognise revenue when (or as) each performance obligation is satisfied

Revenue is recognised, net of discounts, VAT and 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.

2. Significant accounting policies (continued)

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.

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and has present enforceable rights to under the contract. Where applicable, this includes management's best estimate of any variable consideration to be included in the transaction price based on the expected value or most likely amount approach, and only to the extent that it is highly probable that no significant revenue reversal will occur.

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.

Where available, observable prices of goods or services are utilised, when that good or service is sold separately, to similar customers in similar circumstances. Where stand-alone selling price is not directly observable the Company applies judgment to determine an appropriate estimated standalone selling price, typically using an expected cost plus margin, adjusted market assessment or residual approach.

The Company disaggregates revenue from contracts with customers between installation and service repair as management believes 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. The warranty provided on installation is not considered to provide a separate performance obligation as it mirrors the manufactures warranty
- 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.

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2. Significant accounting policies (continued)

Share based payments
The Company 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 Company's estimate of shares that will eventually vest. The Company also provides employees with the ability to purchase the Group's ordinary shares at a discount to the current market value through Save As You Earn schemes. In addition, the Company provides employees with the ability to purchase shares through its One Plan scheme. For every two shares purchased, employees will receive one free matching share at the end of the vesting period.

Fair value is measured by use of the Black-Scholes model or Monte Carlo simulation models depending on the type of scheme.

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
Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. Items which may be considered exceptional include, but are not limited to, disposals of businesses or significant assets, business restructurings, significant onerous contracts, outside of the Company's trade, asset write-downs/impairments and liability write-backs. These are unusual due to size and nature.

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. 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.

2. Significant accounting policies (continued)

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 scrappage 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 charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold property	-	10 years
Furniture, fixtures and equipment	-	3 – 7 years
IT computer equipment	-	3 – 7 years

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 exists, 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 net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is measured on a first-in, first-out (FIFO) basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

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.

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.

2. Significant accounting policies (continued)

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. Bank overdrafts are part of the Group revolving credit arrangement where the overdraft is secured on the cash balance of the other Group companies each month.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost, reduced by appropriate allowances 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.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are not interest-bearing and are stated at 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

The Directors believe there are no critical judgements in applying the Company's accounting policies and no key sources of estimation uncertainty which impact on the financial statements of the Company as at the date of this report.

Notes to the financial statements

Year ended 31 March 2020

2. Significant accounting policies (continued)

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.

	2020	2019
	£000	£000
Installation services and related revenue	23,451	24,874
Servicing and repairs	266	791
	23,717	25,665

4. Operating Loss for the year

Profit/(Loss) for the year has been arrived at after charging:

	Notes	**2020**	2019
		£000	£000
Staff Costs	9	8,168	11,109
Depreciation of property, plant and equipment	12	74	98
Depreciation of right of use assets	13	247	-
Amortisation of intangible assets	11	94	99
Loss on disposal of property, plant and equipment		3	3
Expenses relating to variable lease payments not included in the measurement of lease liabilities	13	29	-
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	13	6	-
Expenses relating to short-term leases	13	348	-

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £46,000 (2019: £60,000). There were no fees payable to the Company's auditor for non-audit services in the year (2019: £nil).

5. Interest payable and similar expenses

	2020	2019
	£000	£000
Interest on bank overdraft	11	95
Interest on lease liabilities	14	-
Unwind of notional interest on loan notes	-	885
	25	980

6. Restructuring costs

	2020	2019
	£000	£000
Redundancy and reorganisation costs	-	(1,452)

One-off redundancy and reorganisation costs of £1,452,000 were incurred in 2019. This was in order to address the operating structure and cost of the business, as a result of integration of the business following acquisition in 2018 by HomeServe PLC (Group). This item was considered exceptional due to its materiality and one-off nature.

7. Fair value movement on loan notes

	2020	2019
	£000	£000
Fair value of loan notes	-	10,090

On 31 March 2019, the Directors determined that the Company was unlikely to meet the performance criteria that would require it to repay the remaining loan notes. As such, the Company has performed a reassessment resulting in the fair value of the remaining loan notes reducing to a value of £nil. This item was considered to be exceptional due to its materiality and one-off nature. The loan notes are discussed further in note 21.

8. Tax on profit

	Notes	**2020**	2019
		£000	£000
Current tax – corporation tax		(920)	(7)
Adjustments in respect of prior years – current tax		(1,258)	-
Deferred tax		8	-
Total tax per income statement		**(2,170)**	(7)

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

	2020	2019
	£000	£000
(Loss)/Profit before tax	**(5,021)**	2,630
Tax at the UK corporation rate of 19% (2019: 19%)	**(954)**	500
Tax effect of expenses that are not deductible in determining taxable profit	**42**	-
Adjustments in respect of prior years – current tax	**(1,258)**	(507)
Tax (credit)/expense for the year	**(2,170)**	(7)

The UK Government in its 2020 Budget announced that the main UK corporate rate would be maintained at 19% until 31 March 2022, before being reviewed, and would not be reduced to 17%. We have reflected this change in our UK deferred tax calculations (see note.14 below).

9. Staff costs

The average monthly number of employees (including Directors) was:

	2020 Number	2019 Number
Average number of employees	**230**	308
Split:		
Sales and Marketing	**103**	111
Administration	**15**	24
Direct operations	**112**	173

	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	**7,244**	10,022
Social security costs	**698**	945
Other pension costs	**226**	142
	8,168	11,109

10. Directors' remuneration

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

	Notes	2020 £000	2019 £000
Remuneration receivable		-	523
Value of Company pension contributions to money pension schemes		-	16
		-	539

	2020 £000	2019 £000
Highest paid Director total remuneration	-	243

The Directors are remunerated by other Group undertakings and are dealt within the accounts of that Company.

	2020 Number	2019 Number
Money purchase schemes	-	2

Year ended 31 March 2020

11. Intangible assets

	IT Software
	£000
Cost	
At 31 March 2018	552
Additions	216
Disposals	(21)
Transfer	-
At 31 March 2019	**747**
Additions	81
Transfer out to property, plant and equipment*	(226)
At 31 March 2020	**602**
Accumulated amortisation	
At 31 March 2018	392
Charge for the year	99
Transfer	(21)
At 31 March 2019	**470**
Charge for the year	94
Transfer out to property, plant and equipment*	(226)
At 31 March 2020	**338**
Carrying amount (Net book value)	
At 31 March 2020	**264**
At 31 March 2019	**277**

*During the year assets which had been fully depreciated were recognised as having an incorrect classification of 'Intangible assets' and were transferred into 'Property, plant and equipment'.

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

12. Property, plant and equipment

	Leasehold property £000	Furniture, fixtures and equipment £000	IT Computer equipment £000	Total £000
Cost				
At 31 March 2018	37	614	348	**999**
Additions	-	-	69	**69**
Disposal	-	(246)	(226)	**(472)**
At 31 March 2019	**37**	**368**	**191**	**596**
Additions	-	-	35	**35**
Disposal	-	-	(4)	**(4)**
Transfer in from Intangible assets*	-	216	10	**226**
At 31 March 2020	**37**	**584**	**232**	**853**
Accumulated depreciation				
At 31 March 2018	22	526	284	832
Charge for the year	4	56	38	98
Disposal	-	(245)	(224)	**(469)**
At 31 March 2019	**26**	**337**	**98**	**461**
Charge for the year	2	26	46	**74**
Disposal	-	-	(1)	**(1)**
Transfer in from Intangible assets*	-	217	9	**226**
At 31 March 2020	**28**	**580**	**152**	**760**
Carrying amount				
At 31 March 2020	**8**	**4**	**80**	**93**
At 31 March 2019	11	31	93	**135**

*During the year assets which had been fully depreciated were recognised as having an incorrect classification of 'Intangible assets' and were transferred into 'Property, plant and equipment'.

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (2019: £nil).

Year ended 31 March 2020

13. Leases

The following disclosures for the year ended 31 March 2020 are presented in accordance with IFRS 16. Comparative disclosures are presented in accordance with IAS 17.

Information about leases for which the Company is a lessee is presented below.

Right of use assets

	Properties	IT & Other	Total
	£000	£000	£000
Cost			
Additions on transition	658	70	**728**
At 31 March 2020	**658**	**70**	**728**
Accumulated depreciation			
Charge for the year	207	40	**247**
At 31 March 2020	**207**	**40**	**247**
Carrying amount			
At 31 March 2020	**451**	**30**	**481**
At 31 March 2019	-	-	-

Amounts recognised in the income statement are disclosed in note 4. In addition to the amount expensed in respect of 'right of use' assets, there were further expenses for other leases not held on the balance sheet also disclosed in note 4.

A maturity analysis of the contractual cash flows associated with lease liabilities is provided below.

	2020
	£000
Within one year	**249**
In the second to fifth years inclusive	**222**
After five years	**-**
	471

Year ended 31 March 2019 (presented under IAS 17)

In the previous year, under IAS 17, lease expenses in the P&L were £1,040,000.

13. Leases (continued)

At 31 March 2019, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £000
Within one year	-
In the second to fifth years inclusive	701
After five years	-
	701

Operating lease payments principally represent rentals payable by the Company for leasehold properties.

14. 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
At 31 March 2018	3
Credit to income	7
Credit to equity	4
Acquisition of business combination	-
At 31 March 2019	14
Charge to income	(8)
Charge to equity	(3)
At 31 March 2020	**3**

Deferred tax has not been recognised on £12.3m (2019: £8.9m) of unused losses due to the uncertainty over timing of future recovery. There are no expiry dates in respect of the unrecognised tax losses.

15. Inventories

	2020 £000	2019 £000
Consumable materials	38	58

Inventories recognized as an expense in the period is £9.0m (2019 £10.2m). The amount is included in cost of sales.

16. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	1,581	1,472
Amounts owed by other Group undertakings	524	175
Other receivables	-	51
Prepayments and accrued income	285	611
	2,390	2,309

Trade debtors are all due within one year (2019: all due within one year).

Trade receivables are stated after provision for impairment of £657,000 (2019: £161,000).

The amounts owed by group undertakings are not subject to any fixed terms for repayment and are not subject to interest. Provision of services to and the purchase of services from related parties were made at arm's length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

17. Trade and other payables

	2020	2019
	£000	£000
Trade creditors and accruals	**3,060**	2,811
Amounts owed to other Group undertakings	**1,135**	-
Accruals and deferred income	**78**	1,004
Taxes and social security, excluding current tax	**653**	740
Corporation tax	-	308
Other creditors	**121**	60
	5,047	4,923

Amounts owed to group undertakings were not subject to interest and were repayable on demand. Provision of services to and the purchase of services from related parties were made at arm's length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

18. Provisions

	Restructuring costs
	£000
At 1 April 2019	517
Utilised	(517)
At 31 March 2020	-

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

19. Called up share capital

	2020 £000	2019 £000
Authorised, Issued and fully paid:		
10,000 ordinary shares of £1 each	**10**	10

The Company has one class of ordinary shares, which carries no right to fixed income.

Share capital represents consideration received for the nominal value of £1 per share on all issued and fully paid shares.

20. Capital contribution reserve

	£000
At 31 March 2019 and 31 March 2020	**2,075**

21. 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.

During the year £nil of the loan notes were repaid (2019: £5.0m was repaid under the terms of the Company's acquisition in 2018). These loan notes were designated as fair value through profit and loss and categorised as level 3.

During 2019 the Directors determined that the Company would not be expected to reach the volume attached to the remaining contingent payments. A £10.1m fair value movement on the loan notes was recognised through the income statement.

The Directors have estimated the timing of contingent payments taking into account the expected number of boiler installations at the reporting date. It has been concluded that the volume requirements attached to the remaining contingent payments will continue not to be met.

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.
During 2020 there were no related party transactions. In 2019 Jelmart Limited, a Company controlled by Martin Jones, was paid £6,000 during the period that he was a Director.

23. Pension costs

The Company offers a salary sacrifice pension contribution that were charged to the income statement for the year were £226,000 (2019: £142,000). As at 31 March 2020 contributions due to the pension administrator equated to £40,000 (2019: £33,000).

24. Ultimate parent Company and controlling party

The immediate parent Company is HomeServe Membership 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 its registered office Cable Drive, Walsall, West Midlands, WS2 7BN.

25. Subsequent events

There were no subsequent events to report.