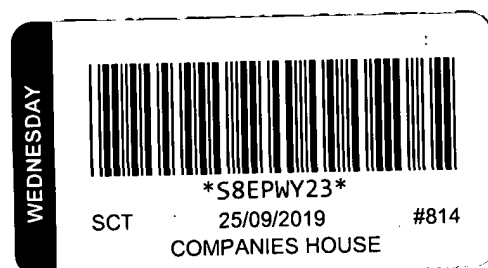


COMPANIES HOUSE  
EDINBURGH

25 SEP 2019

FRONT DESK

**Strategic Report, Report of the Directors and  
Financial Statements  
for the Year Ended 31 December 2018  
for  
Apleona HSG Limited**



**Apleona HSG Limited**  
**Contents of the Financial Statements**  
**for the Year Ended 31 December 2018**

---

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Independent Auditor's Report</b>	<b>6</b>
<b>Income Statement</b>	<b>9</b>
<b>Statement of Other Comprehensive Income</b>	<b>10</b>
<b>Balance Sheet</b>	<b>11</b>
<b>Statement of Changes in Equity</b>	<b>12</b>
<b>Notes to the Financial Statements</b>	<b>13</b>

**Apleona HSG Limited**  
**Company Information**  
**for the Year Ended 31 December 2018**

---

<b>DIRECTORS:</b>	J O P Thoden Van Velzen D L Hogg R H Fainac
<b>REGISTERED OFFICE:</b>	Fifth Floor City Reach 5 Greenwich View Place LONDON E14 9NN
<b>REGISTERED NUMBER:</b>	4073907 (England and Wales)
<b>AUDITORS:</b>	Ernst & Young LLP G1 Building 5 George Square Glasgow G2 1DY
<b>BANKERS:</b>	Deutsche Bank AG - London Winchester House 1 Great Winchester House London EC2N 2DB

The directors present their strategic report for the year ended 31 December 2018.

## **REVIEW OF BUSINESS**

The income statement of Apleona HSG Limited ("the Company") is set out on page 9 and discloses the Company's financial performance for the year. The Company's turnover for the year amounted to £110.0 million (2017: £116.0 million) which resulted in an operating profit of £0.002 million (2017: loss of £5.45 million). After exceptional items and interest, a loss before tax of £1.60 million (2017: £12.35 million) was incurred.

The results of the Company show a significant improvement over the prior year with several restructuring initiatives now beginning to impact. Despite these significant changes, the Company is still currently in a loss-making position as it continues to incur some restructuring costs and to analyse performance across each trading sector. The notes to the financial statements disclose separately all costs associated with the continuing restructuring to provide the user with additional understanding of the impact and therefore the underlying operational profit. The Company continues to seek out new contracts and opportunities to grow trading from this now solid base.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The services provided by the Company present limited operational risks and these are mitigated through a comprehensive risk management process. The majority of the Company's activities are delivered through long term contracts which are structured to limit the Company's exposure to commercial risks. The principal uncertainties with regard to the Company's ability to achieve consistent profitability are the loss of a major client, failure to secure new contracts and general economic and market conditions. The Company has a diverse client base and the loss of any particular client would not have a catastrophic impact on the Company's viability. The trading performance in 2018 does demonstrate the impact of this risk, however the Company and its staff continue to deliver to existing and new clients by providing industry-leading levels of service to clients and maintaining strong customer relationships.

## **GOING CONCERN**

The Company's principal funding is received from Apleona GmbH using a cash pooling arrangement. This company and other shareholders are kept fully apprised on short and long term expected cash requirements for the Apleona HSG Limited business. The directors have received confirmation from Apleona GmbH that this financial support will continue for at least twelve months following the approval of these financial statements ensuring the Company is able to meet all future financial obligations. Thus, they have continued to adopt the going concern basis of accounting in preparing the annual financial statements. See note 1 Accounting Policies for further details regarding this assumption.

## **FUTURE OUTLOOK**

The Company intends to continue to offer innovative solutions based on the quality of both staff and systems to successfully operate in a competitive market. The Directors expect the activities of the business to be unchanged for the foreseeable future.

## KEY PERFORMANCE INDICATORS

The Directors consider the following key performance indicators:

	2018	2017
Turnover	£110.0m	£116.0m
Operating profit/(loss) (before exceptional items)	£0.0m	(£5.5m)
Operating loss (after exceptional items)	(£1.2m)	(£12.1m)
Net liabilities	(£6.8m)	(£5.1m)

## FINANCIAL INSTRUMENTS

The Company's principal finance instruments comprise bank balances, loans from parent undertakings, finance lease agreements, trade debtors and trade creditors. The main purpose of these instruments is to finance the Company's operations.

Due to the nature of the financial instruments used by the Company there is no exposure to financial (credit) pricing risk. The Company's approach to managing other risks applicable to the financial instruments is shown below.

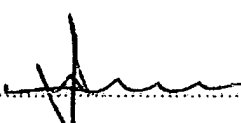
In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of intercompany funding at floating rates of interest.


The Company is a lessee in respect of finance leased assets and ensures there are sufficient funds to meet payments.

Trade debtors are managed in respect of credit and cash flow risk by application of policies regarding the credit offered to customers, and the regular monitoring of amounts outstanding with reference to time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts falling due at the appropriate time.

## ON BEHALF OF THE BOARD:

  
 JOP Thoden Van Velzen - Director

  
 DL Hogg - Director

24 September 2019

.....  
 Date

The directors present their report for the year ended 31 December 2018.

#### **DIVIDENDS**

During the year dividends of £nil (2017: £nil) were paid.

#### **DIRECTORS**

The directors who have held office during the period from 1 January 2018 to the date of this report (unless otherwise stated) are as follows:

J O P Thoden Van Velzen	
D L Hogg	(appointed 5 June 2019)
R H Fainac	(appointed 5 June 2019)
P R Young	(appointed 31 January 2019, resigned 7 June 2019)
N L Bentley	(resigned 29 March 2019)
D Eastlake	(resigned 31 January 2019)
D G Van Breda	(resigned 31 March 2018)
S Harris	(resigned 14 March 2018)

#### **GOING CONCERN**

Details of specific going concern assumptions are contained within both the Strategic Report and Accounting Policies note 1.

#### **EMPLOYEE INVOLVEMENT**

The company's policy is to consult and discuss with employees, through unions, staff councils, and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

#### **DISABLED EMPLOYEES**

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

#### **DISCLOSURE IN THE STRATEGIC REPORT**

In accordance with s414(C) (11) of the Companies Act, included in the Strategic report is information relating to the future development of the business which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a Directors Report.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


## **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

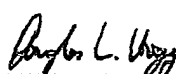
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **AUDITORS**

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

## **ON BEHALF OF THE BOARD:**

  
.....  
JOP Thoden Van Velzen - Director

  
.....  
DL Hogg - Director

24 September 2019

.....  
Date

## **Independent Auditor's Report to the Members of Apleona HSG Limited**

---

### **Opinion**

We have audited the financial statements of Apleona HSG Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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



## **Independent Auditor's Report to the Members of Apleona HSG Limited - continued**

---

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our 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.

*Ernst & Young LLP*

Nicola McIntyre (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Glasgow  
25 September 2019

**Apleona HSG Limited**  
**Income Statement**  
**for the Year Ended 31 December 2018**

	Notes	£	Dec-18 £	£	Dec-17 £	£
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>						
Retained contracts	3		110,044,833		112,557,838	
Exited contracts	3		<u>-</u>		<u>3,437,811</u>	
			110,044,833		115,995,649	
<b>COST OF PROVIDING SERVICES</b>						
Retained contracts		(101,013,240)		(104,424,722)		
Exited contracts		<u>-</u>		<u>(4,110,105)</u>		
			(101,013,240)		(108,534,827)	
<b>GROSS PROFIT</b>			9,031,593		7,460,822	
Distribution costs		(1,714,163)		(1,845,000)		
Administrative expenses		<u>(7,315,316)</u>		<u>(11,066,805)</u>		
			(9,029,479)		(12,911,805)	
<b>OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS</b>			2,114		(5,450,983)	
Provision for future restructuring costs	5	-		(3,045,100)		
Restructuring costs incurred	5	(996,221)		(2,856,608)		
Revaluation of current assets	5	(220,767)		(1,883,936)		
Loss on disposal of investment		-		(254,741)		
Exceptional (costs)/income	5	<u>(4,021)</u>		<u>1,413,434</u>		
			(1,221,009)		(6,626,951)	
<b>OPERATING LOSS AFTER EXCEPTIONAL ITEMS</b>			(1,218,895)		(12,077,934)	
Interest receivable and similar income	6	9,405		-		
Interest payable and similar charges	7	(328,792)		(211,229)		
Other finance costs	21	<u>(64,000)</u>		<u>(65,000)</u>		
			(383,387)		(276,229)	
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8		(1,602,282)		(12,354,163)	
Tax credit on ordinary activities	9		<u>18,229</u>		<u>2,499,254</u>	
<b>LOSS FOR THE FINANCIAL YEAR</b>			<u>(1,584,053)</u>		<u>(9,854,909)</u>	


**Apleona HSG Limited**  
**Statement of Other Comprehensive Income**  
**for the Year Ended 31 December 2018**

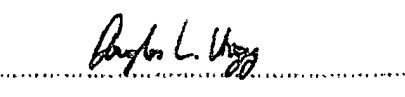
	Notes	Dec-18 £	Dec-17 £
<b>LOSS FOR THE YEAR</b>		(1,584,053)	(9,854,909)
<b>OTHER COMPREHENSIVE LOSSES</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on pension scheme	21	184,214	(377,327)
UK deferred tax on actuarial loss	9b	(63,727)	71,280
		<u>120,487</u>	<u>(306,047)</u>
<b>OTHER COMPREHENSIVE GAINS/(LOSSES) FOR THE YEAR, NET OF INCOME TAX</b>		<u>120,487</u>	<u>(306,047)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><b>(1,463,566)</b></u>	<u><b>(10,160,956)</b></u>

**Apleona HSG Limited**  
**Registered Number: 4073907**  
**Balance Sheet**  
**31 December 2018**

		<b>Dec-18</b>		<b>Dec-17 (as restated)</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>FIXED ASSETS</b>					
Intangible assets	10		4,134,977		4,228,610
Tangible fixed assets	11		1,794,415		1,816,098
Investments	12		1		4,202
Contract Fulfilment Assets	13		<u>332,432</u>		<u>549,650</u>
			6,261,825		6,598,560
<b>CURRENT ASSETS</b>					
Stock	14	449,690		455,853	
Debtors	15	21,681,530		29,201,513	
Cash at bank		<u>112,394</u>		<u>595,991</u>	
		22,243,614		30,253,357	
<b>CREDITORS</b>					
Amounts falling due within one year	16	<u>(32,685,345)</u>		<u>(37,619,627)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(10,441,731)</u>		<u>(7,366,270)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(4,179,906)		(767,710)
<b>PROVISIONS FOR LIABILITIES</b>	17		(544,515)		(1,799,800)
<b>PENSION LIABILITY</b>	21		<u>(2,079,000)</u>		<u>(2,572,000)</u>
<b>NET LIABILITIES</b>			<u>(6,803,421)</u>		<u>(5,139,510)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		121,825		121,825
Share premium	20		1,556,677		1,556,677
Retained earnings	20		<u>(8,481,923)</u>		<u>(6,818,012)</u>
<b>SHAREHOLDERS' DEFICIT</b>			<u>(6,803,421)</u>		<u>(5,139,510)</u>

The financial statements were approved by the Board of Directors on 24 September 2019 and were signed on its behalf by:

  
 JOP Thoden Van Velzen - Director

  
 DL Hogg - Director

**Apleona HSG Limited**  
**Statement of Changes in Equity**  
**for the Year Ended 31 December 2018**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Share premium £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2017</b>	121,825	3,342,944	1,556,677	5,021,446
<b>Changes in equity</b>				
Total comprehensive loss	-	(10,160,956)	-	(10,160,956)
<b>Balance at 31 December 2017</b>	<u>121,825</u>	<u>(6,818,012)</u>	<u>1,556,677</u>	<u>(5,139,510)</u>
Change in accounting policy (note 2)	-	(200,345)	-	(200,345)
<b>Restated total equity at 1 January 2018</b>	<u>121,825</u>	<u>(7,018,357)</u>	<u>1,556,677</u>	<u>(5,339,855)</u>
<b>Changes in equity</b>				
Total comprehensive loss	-	(1,463,566)	-	(1,463,566)
<b>Balance at 31 December 2018</b>	<u>121,825</u>	<u>(8,481,923)</u>	<u>1,556,677</u>	<u>(6,803,421)</u>

## **1. ACCOUNTING POLICIES**

### **Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of Apleona HSG Limited for the year ended 31 December 2018 were authorised for issue by the board of directors on 24 September 2019 and the balance sheet was signed on the board's behalf by JOP Thoden Van Velzen and DL Hogg.

Apleona HSG Limited is limited liability company incorporated and domiciled in England and Wales.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£0) except where otherwise indicated.

The Company has applied the following standards and amendments for the first time for their annual reporting period ended 31 December 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers'; and
- Annual Improvements 2014-2016 Cycle.

On adoption of IFRS 9 and IFRS 15, this resulted in changes made by the Company to its accounting policies as well as retrospective adjustments. This is disclosed in note 2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Apleona Group GmbH.

Apleona Group GmbH, a company registered in Germany, is the parent company whose consolidated financial statements at 31 December 2018 include the results of the company and where the above information is included on a consolidated basis.

### **Basis of preparation**

In preparing the financial statements under FRS 101 "Reduced Disclosure Framework" the Company has taken advantage of the following disclosure exemptions:

- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

**1. ACCOUNTING POLICIES (continued)**

**Going concern**

When considering going concern the directors consider the company's business activities, together with the factors likely to affect its future development, performance and position. As noted in this review, the directors view the future outlook of the company as positive.

In carrying out their duties in respect of going concern, the directors have carried out a review of the company's financial position and cash flow forecast for 12 months from the date of signing the financial statements. This has been based on a comprehensive review of revenue, expenditure and cash flows, incorporating specific business risks and the uncertainties brought about by the current economic environment.

The directors note that at the year end the company had net liabilities of £6.8m (2017: liabilities of £5.1m) and net current liabilities of £10.4m (2017 – as restated: current liabilities of £7.4m). At the year end the company had a net cash balance of £0.1m (2017: £0.6m).

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show the company should be able to operate within the level of its current resources and facilities. The company has taken a number of significant strategic decisions in the last eighteen months which have resulted in a short term increase in costs over that period but which will ensure the company is in a stronger position to improve future profitability. The company operates within a group-wide cash pooling arrangement managed by Apleona GmbH, a fellow subsidiary company located in Germany. This company and other shareholders are kept fully apprised on short and long term expected cash requirements for the Apleona HSG Limited business. The directors have received confirmation from Apleona GmbH that this financial support will continue for at least twelve months following the approval of those financial statements ensuring the company is able to meet its future financial obligations.

Having taken all of the above factors into consideration, the directors have reached a conclusion that the company is able to manage its business risks. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**1. ACCOUNTING POLICIES (continued)**

**Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

**Other intangible assets**

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.



**1. ACCOUNTING POLICIES - continued**

**Amortisation**

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful economic lives if intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software 3 - 5 years  
Branding 3 years

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value over its estimated useful life or, if held under finance lease, over the lease term whichever is shorter.

Leasehold buildings	Lease term
Plant and machinery	20% - 33% straight-line basis
Fixtures and fittings	20% - 50% straight-line basis

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

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. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

**Contract Fulfilment Assets**

Contract fulfilment costs are divided in to costs that give rise to an asset and costs that are expensed as incurred.

Costs will be capitalised where these directly relate to a contract and generate or enhance resources which will be used in satisfying performance obligations in the future and where the costs are expected to be recovered.

The Company expenses contract fulfilment assets (capitalised costs to obtain a contract) to cost of sales over the expected contract period in line with criteria used for recognition of revenue for the contract. A contract fulfilment asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

**1. ACCOUNTING POLICIES - continued**

**Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance elements of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

**1. ACCOUNTING POLICIES - continued**

**Pensions**

The company operates both defined benefit and defined contribution schemes for the benefit of its employees. Contributions payable to the defined contribution scheme are charged to the profit and loss account in the year they are payable.

For defined benefit schemes, the pension costs are assessed using the projected unit credit method, the cost of providing pensions (including related administration fees) are charged to the profit and loss account so as to spread the regular costs over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash flows using interest rates on government securities that have terms to maturity approximating the terms of the related liability. The amounts charged to operating profit are the current service costs, administration fees and gains and losses on settlements and curtailments. These are included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

When the benefits of a scheme are improved, past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately, following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately as an expense.

**Investments**

Fixed asset investments are stated at cost less any applicable provision for impairment.

**Revenue recognition**

The accounting policies for the Company's revenue from contracts with customers are explained in note 3.

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

**1. ACCOUNTING POLICIES - continued**

**Exceptional items**

The Company presents as exceptional items those items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition using purchase cost on a first in first out basis.

**Key judgements and estimations**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition using purchase cost on a first in first out basis.

## 2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS9 and IFRS15 on the Company's financial statements.

### *Impact on the financial statements*

As a result of the changes in the Company's accounting policies, prior year financial statements had to be restated. IFRS9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December 2017 As originally presented £	IFRS15 £	31 December 2017 As restated £	IFRS9 £	1 January 2018 Restated £
<b>Balance Sheet (extract)</b>					
Contract fulfilment assets	-	549,650	549,650	-	549,650
<b>Fixed Assets</b>	<u>6,048,910</u>	<u>549,650</u>	<u>6,598,560</u>	<u>-</u>	<u>6,598,560</u>
Trade debtors	15,171,042	-	15,171,042	(241,380)	14,929,662
Amounts to be billed for work performed	-	6,751,133	6,751,133	-	6,751,133
Other debtors	772,642	(549,650)	222,992	-	222,992
Deferred tax asset	733,868	-	733,868	41,035	774,903
Prepayments and accrued income	9,274,662	(6,751,133)	2,523,529	-	2,523,529
Debtors	29,751,163	(549,650)	29,201,513	(200,345)	29,001,168
<b>Current Assets</b>	<u>30,803,007</u>	<u>(549,650)</u>	<u>30,253,357</u>	<u>(200,345)</u>	<u>30,053,012</u>
Contract liabilities – deferred income	-	3,875,696	3,875,696	-	3,875,696
Accruals and deferred income	15,620,155	(3,875,696)	11,744,459	-	11,744,459
<b>Net Current Liabilities</b>	<u>(6,816,620)</u>	<u>(549,650)</u>	<u>(7,366,270)</u>	<u>(200,345)</u>	<u>(7,566,615)</u>
<b>Total Assets less Current Liabilities</b>	<u>(767,710)</u>	<u>-</u>	<u>(767,710)</u>	<u>(200,345)</u>	<u>(968,055)</u>
<b>NET LIABILITIES</b>	<u>(5,139,510)</u>	<u>-</u>	<u>(5,139,510)</u>	<u>(200,345)</u>	<u>(5,339,855)</u>
Retained earnings	<u>(6,818,012)</u>	<u>-</u>	<u>(6,818,012)</u>	<u>(200,345)</u>	<u>(7,018,357)</u>
<b>SHAREHOLDERS' DEFICIT</b>	<u>(5,139,510)</u>	<u>-</u>	<u>(5,139,510)</u>	<u>(200,345)</u>	<u>(5,339,855)</u>

**2. CHANGES IN ACCOUNTING POLICIES - continued**

*Impact on the financial statements*

	31 December 2016 As originally presented £	IFRS15 £	IFRS9 £	1 January 2017 Restated £
<b>Balance Sheet (extract)</b>				
Contract fulfilment assets	-	555,524	-	555,524
<b>Fixed Assets</b>	<u>8,104,219</u>	<u>555,524</u>	<u>-</u>	<u>8,659,743</u>
Amounts to be billed for work performed	-	9,966,328	-	9,966,328
Other debtors	1,084,759	(555,524)	-	529,235
Prepayments and accrued income	11,943,755	(9,966,328)	-	1,977,427
Debtors	36,340,750	(555,524)	-	35,785,226
<b>Current Assets</b>	<u>37,404,177</u>	<u>(555,524)</u>	<u>-</u>	<u>36,848,653</u>
Contract liabilities – deferred income	-	2,154,595	-	2,154,595
Accruals and deferred income	13,542,462	(2,154,595)	-	11,387,867
<b>Net Current Liabilities</b>	<u>(539,584)</u>	<u>(555,524)</u>	<u>-</u>	<u>(1,095,108)</u>

No adjustments were required to the Income Statement or the Statement of other Comprehensive Income.

*IFRS9*

IFRS9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 1 above. In accordance with the transitional provisions in paragraphs 7.2.15 and 7.2.26 of IFRS9, comparative figures have not been restated.

The total impact on the Company's retained earnings as at 1 January 2018 is as follows:

	£
<b>Closing retained earnings at 31 December 2017 – IAS39/IAS18</b>	<b>(6,818,012)</b>
Increase in provision for trade receivables and contract assets	(241,380)
Increase in deferred tax assets	<u>41,035</u>
Adjustment to retained earnings from adoption of IFRS9 on 1 January 2018	<u>(200,345)</u>
<b>Opening retained earnings 1 January 2018 – IFRS9</b>	<b><u>(7,018,357)</u></b>

No adjustments were made to line items in the Income Statement or the Statement of Other Comprehensive Income.

## 2. CHANGES IN ACCOUNTING POLICIES - continued

### *IFRS9 – continued*

#### *(i) Classification and measurement*

On 1 January 2018 (the date of initial application of IFRS9), the company's management has assessed which business models apply to the financial assets held by the company and has classified its financial instruments into the appropriate IFRS9 categories. No financial instruments were reclassified.

#### *(ii) Impairment of financial assets*

Trade debtors are subject to IFRS9's new expected credit loss model. These debtors are considered to be low risk and therefore the impairment provision is determined as 12 months' expected credit losses. Applying the expected credit risk model resulted in the recognition of a loss allowance of £241,380 on 1 January 2018 (previous loss allowance £nil) and a further reduction in the allowance of £230,983 in the current reporting period.

### *IFRS15*

The Company has adopted IFRS15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS15, the Company has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017):

		IAS18 carrying amount 31-Dec-17 £	Reclassi- fication £	IFRS 15 carrying amount 1-Jan-18 £
Contract fulfilment assets	(i)	-	549,650	549,650
Amounts to be billed for work performed	(ii)	-	6,751,133	6,751,133
Other debtors	(i)	549,650	(549,650)	-
Prepayments and accrued income	(ii)	6,751,133	(6,751,133)	-
Contract liabilities – deferred income	(ii)	-	3,875,696	3,875,696
Accruals and deferred income	(ii)	15,620,155	(3,875,696)	11,744,459
		IAS18 carrying amount 31-Dec-16 £	Reclassi- fication £	IFRS 15 carrying amount 1-Jan-17 £
Contract fulfilment assets	(i)	-	555,524	555,524
Amounts to be billed for work performed	(ii)	-	9,966,328	9,966,328
Other debtors	(i)	555,524	(555,524)	-
Prepayments and accrued income	(ii)	9,966,328	(9,966,328)	-
Contract liabilities – deferred income	(ii)	-	2,154,595	2,154,595
Prepayments and accrued income	(ii)	13,542,462	(2,154,595)	11,387,867

There was no impact on the Company's retained earnings at 1 January 2018 and 1 January 2017.

#### *(i) Accounting for costs to fulfil a contract*

In 2016, costs of £555,524 in respect of contract implementation were presented as part of other debtors. However, the costs relate directly to the contracts, generate resources used in satisfying the contracts and are expected to be recovered. They have therefore been reclassified and capitalised as costs to fulfil a contract following the adoption of IFRS 15 and included in other assets in the balance sheet on 31 December 2017.

**2. CHANGES IN ACCOUNTING POLICIES - continued**

*(ii) Presentation of assets and liabilities related to contracts with customers*

The Company has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS15:

- Amounts to be billed for work performed under contracts were previously presented as part of prepayments and accrued income (£6,751,133 as at 31 December 2017; £9,966,328 as at 1 January 2017).
- Contract liabilities – deferred income represent contracted works invoiced and/or paid in advance by customers and were previously presented as part of accruals and deferred income (£3,875,696 as at 31 December 2017; £2,154,595 as at 1 January 2017).

**3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Company derives revenue from the transfer of goods and services over time in relation to the provision of facilities and workspace management services. The Company recognises revenue at the point of delivery for goods and over time for services where the customer simultaneously receives and consumes the benefit. Goods are predominantly delivered as part of service, design or management contracts and are therefore included and scheduled over time to fulfil overall performance contractual obligations. Any separate goods only contracts, refunds and rebates are determined by the Company to be immaterial and not relevant for separate disclosure.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, trade debtors, amounts to be billed for work performed and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Company incurs to deliver its contractual commitments and whether such costs should be capitalised or expensed as incurred. These judgements are inherently subjective and may cover future events such as performance KPIs and planned cost savings.

The Company enters into contracts which contain extension periods, where either the customer or both parties can choose to extend the contract, and/or termination clauses that could impact the actual duration of the contract. Judgement is applied to assess the impact that these clauses have when determining the appropriate contract term. The term of the contract impacts on the period over which revenue from performance obligations may be recognised and over which contract fulfilment assets are amortised.

The Company disaggregates revenue from customers by service line which reflects how information is regularly reviewed by senior management.

Facilities Management contracts provide long term outsourced service arrangements within the public and private sectors. These contracts will provide a series of distinct goods and services which are substantially the same and have the same pattern of transfer and are therefore treated as one performance obligation. For the majority of contracts with customers in this category the Company recognises revenue using the output method as it best reflects the value provided to the customer under performance of the contract.

Workspace Management contracts provide design, construction, office structure and furniture delivery to public and private sectors under shorter term contracts. These contract will provide a series of associated goods and services, potential contract milestones and performance under the contract will be assessed in relation to the value provided to the customer to date.

Some Workspace management contracts will be amended for changes in contract specifications and requirements. The facts and circumstances of any contract modification are considered individually as the types of modifications will vary and may result in different accounting outcomes. It may result in adjustments to revenue as an additional separate contract, as creation of a new contract, as cumulative catch up on any existing contract or a combination of each. Performance is assessed in relation to the value provided to the customer to date.



**3. REVENUE FROM CONTRACTS WITH CUSTOMERS - continued**

Some Workspace Management contracts will contain an enforceable right to payment for performance completed to date. In such a case, the Company will use the input method based on costs incurred to measure its progress towards complete satisfaction of the performance obligation. The amount of such costs is reviewed by operational management as part of this process to ensure the costs reflect an accurate measure of the extent of the Company's performance under the contract.

The relevant revenue disaggregation is presented below:

	<b>Facilities Management £</b>	<b>Workspace Management £</b>	<b>Total £</b>
<b>2018</b>			
Revenue from external customers	<u>83,689,484</u>	<u>26,355,349</u>	<u>110,044,833</u>
<b>2017</b>			
Revenue from external customers	<u>90,209,227</u>	<u>25,786,422</u>	<u>115,995,649</u>

The Company's turnover, profit before taxation and net assets arise wholly within the United Kingdom.

*Assets and liabilities related to contracts with customers*

The Company has recognised the following assets and liabilities related to contracts with customers:

	<b>31 Dec 2018 £</b>	<b>31 Dec 2017 £</b>	<b>01 Jan 2017 £</b>
Contract Fulfilment Assets	<u>332,432</u>	<u>549,650</u>	<u>555,524</u>
Trade debtors	10,740,942	15,171,042	16,941,963
Amounts to be billed for work performed	<u>8,231,242</u>	<u>6,751,133</u>	<u>9,966,328</u>
Total current contract assets	<u>18,972,184</u>	<u>21,922,175</u>	<u>26,908,291</u>
Contract liabilities – deferred income	<u>(1,139,696)</u>	<u>(3,875,696)</u>	<u>(2,154,595)</u>

Contract assets have decreased as the Company has reduced revenues. The agreed terms for provision of services ahead of agreed payment schedules for contracts have not substantially changed. Contract liabilities for deferred income have reduced following the termination of certain contracts where services were invoiced quarterly in advance.

Revenue recognised in the current reporting period relating to carried-forward contract liabilities:

	<b>Facilities Management £</b>	<b>Workspace Management £</b>	<b>Total £</b>
<b>2018</b>	<u>2,716,698</u>	<u>1,158,998</u>	<u>3,875,696</u>
<b>2017</b>	<u>2,133,104</u>	<u>21,491</u>	<u>2,154,595</u>

No revenue has been recognised from performance obligations satisfied in previous periods in either 2017 or 2018.

**3. REVENUE FROM CONTRACTS WITH CUSTOMERS - continued**

The following table shows the aggregate amount of the transaction price allocated to unsatisfied performance obligations arising from customer contracts. The expected timing of revenue recognised on customer contracts as of 31 December 2018 is as follows:

	<b>Facilities Management £</b>	<b>Workspace Management £</b>	<b>Total £</b>
Within one year	34,563,061	4,167,705	38,730,766
Between two and five years	<u>33,600,956</u>	<u>-</u>	<u>33,600,956</u>
Total	<u>68,164,017</u>	<u>4,167,705</u>	<u>72,331,722</u>

The above table represents the consideration the Company will be entitled to receive from customers when the Company satisfies the performance obligations in the contracts. However the total revenue that will be earned by the Company will also include revenue from additional works, new contracts and anticipated contract extensions. These elements have been excluded from the table above because they are not yet contracted. The nature of workspace management operations in particular is reactive and project based. Any longer term arrangements in this sector tend to be based on agreed working framework agreements which do not guarantee/contract specific volumes.

During the previous year, the directors, following a full contract by contract review of the business, made the decision to exit a number of unprofitable contracts whether directly or by not pursuing renewal. In order to assist users of the financial statements in fully understanding the business going forward, the amounts of turnover and related costs arising from these contracts are disclosed separately.

**4. EMPLOYEES AND DIRECTORS**

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Wages and salaries	44,946,929	51,682,142
Social security costs	4,337,013	4,824,238
Other pension costs	<u>1,005,171</u>	<u>783,819</u>
	<u><b>50,289,113</b></u>	<u><b>57,290,199</b></u>

The average monthly number of employees during the year was as follows:

	<b>Dec-18</b>	<b>Dec-17</b>
Direct Labour	1,329	1,433
Administrative	<u>554</u>	<u>586</u>
	<u><b>1,883</b></u>	<u><b>2,019</b></u>

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Directors' remuneration	888,390	1,169,391
Directors' fees payable to fellow subsidiary undertaking	46,008	209,340
Directors' pension contributions to money purchase schemes	<u>18,700</u>	<u>40,533</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u><b>2</b></u>	<u><b>4</b></u>
------------------------	-----------------	-----------------

Information regarding the highest paid director is as follows:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Emoluments etc	325,518	345,461
Pension contributions to money purchase schemes	<u>-</u>	<u>-</u>

**5. EXCEPTIONAL AND NONRECURRING ITEMS**

**Provision for restructuring costs**

Arising from closure of mobile engineering services:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Redundancy and contract termination costs	-	1,799,800
Provision for irrecoverable debt	-	1,245,300
	<u>-</u>	<u>3,045,100</u>

In December 2017, the Company announced the closure of all contracts related to the provision of mobile engineering services as this does not align with the core facilities and workspace management services operated by the Company. Since this closure relates to a rationalisation of the business, these costs do not relate to current and ongoing operations and are disclosed separately to provide greater clarity and understanding of the Company's performance.

**Restructuring costs incurred**

Arising from restructuring works:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Impairment of goodwill	-	811,303
Personnel related costs of change	788,458	1,257,843
Professional and consultancy fees	207,763	620,040
Rebranding costs	-	167,422
	<u>996,221</u>	<u>2,856,608</u>

The Company completed a further strategic review of operations and business during 2018 and 2017 which resulted in a number of redundancies, professional fees and other project costs (including rebranding costs). The total costs incurred during the year are significant and non-recurring and have been disclosed separately to assist with clarity and understanding of the Company's performance in 2018. These costs are in addition to the costs associated with closure of the mobile engineering services disclosed above.

**5. EXCEPTIONAL AND NONRECURRING ITEMS (continued)**

**Revaluation of current assets**

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Revaluation of unbilled receivables	394,885	492,212
Provision for debt recovery fees	(174,118)	252,000
Irrecoverable prepaid costs	-	1,139,724
	<u>220,767</u>	<u>1,883,936</u>

During the year the Company undertook a further detailed review of the value of current assets in relation to underlying contract clauses and current market conditions. As a result of this the directors believe that disclosure of the above costs is necessary to provide a clear understanding of performance.

**Impairment of investments and dividends received**

Arising from significant reorganisation of the group:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Impairment of investments	4,201	1,758,085
Dividend of retained profits from dormant subsidiaries	-	(3,171,519)
	<u>4,201</u>	<u>(1,413,434)</u>

During the year the Company recognised impairments of £4,201 (2017: £1,758,085) in respect of reductions in the carrying value of investments in subsidiaries following the transfer of assets and liabilities to the Company and the subsequent dissolution of the resulting dormant subsidiaries. In 2017 as part of this transfer of assets and liabilities, the Company received dividends from two subsidiary undertakings. Since this reorganisation relates to a transformation and rationalisation of the business, these costs and income are not directly related to current operations and have been disclosed as exceptional.

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Other interest receivable	<u>9,405</u>	<u>-</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Bank interest	454	13,698
Interest payable to group undertakings	<u>328,338</u>	<u>197,531</u>
	<u>328,792</u>	<u>211,229</u>

**8. OPERATING LOSS**

The loss before taxation is stated after charging:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Depreciation - owned assets	375,667	338,880
Depreciation - assets on hire purchase contracts	-	5,301
Amortisation of intangible assets	93,633	89,717
Auditors' remuneration	63,000	69,000
Operating lease rentals - plant and machinery	847,151	1,680,703
Operating lease rentals - other assets	<u>1,055,236</u>	<u>1,271,478</u>

**9. TAXATION**

**a) Tax charged in the income statement**

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
<i>Current income tax:</i>		
UK Group relief	(190,381)	(2,409,370)
Amounts (over)/underprovided in previous years:		
Group relief	36,404	-
UK corporation tax	<u>-</u>	<u>(326,829)</u>
Total current income tax	(153,977)	(2,736,199)
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	70,669	(4,041)
Amounts under/(over)provided in previous years	67,931	240,743
Changes in tax rates	<u>(2,852)</u>	<u>243</u>
Total deferred tax	<u>135,748</u>	<u>236,945</u>
Total tax (credit)/expense in income statement	<u>(18,229)</u>	<u>(2,499,254)</u>

The tax (credit)/expense in the income statement relates to wholly continuing activities.

9. **TAXATION - continued**

**b) Tax relating to items charged or credited to other comprehensive income**

	Dec-18 £	Dec-17 £
<i>Deferred tax:</i>		
Actuarial gains/(losses) on defined benefit pension plan	35,001	(76,230)
Changes in tax rates	<u>28,726</u>	<u>4,950</u>
Total deferred tax	<u>63,727</u>	<u>(71,280)</u>
Total tax charge/(credit in) the statement of other comprehensive income	<u>63,727</u>	<u>(71,280)</u>

The tax credit in the income statement relates to wholly continuing activities.

**c) Reconciliation of the total tax charge**

The tax expense in the income statement for the year is higher (2017 - higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The difference is reconciled below:

	Dec-18 £	Dec-17 £
Loss on ordinary activities before income tax	<u>(1,602,282)</u>	<u>(12,354,163)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	(304,434)	(2,378,176)
Effects of:		
Expenses not deductible for tax purposes	91,790	80,675
Non-taxable dividend income	-	(610,517)
Impairment of investments not deductible	-	494,607
Unrecognised tax losses	92,931	-
Tax underprovided in previous years	104,335	(86,086)
Change in tax laws and rate	<u>(2,851)</u>	<u>243</u>
Total tax expense reported in the income statement	<u>(18,229)</u>	<u>(2,499,254)</u>

**d) Change in Corporation Tax Rate**

The UK corporation tax rate was reduced from 20% to 19% effective 1 April 2017, and thereafter to 17% effective 1 April 2020. Deferred tax has been remeasured using the rates substantively enacted at 31 December 2018.

**9. TAXATION - continued**

**e) Deferred tax**

The deferred tax included in the balance sheet is as follows:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
<i>Deferred tax asset</i>		
Accelerated capital allowances	160,416	180,322
Accruals	61,582	90,586
Pensions and post-employment medical benefits	353,430	462,960
	<u>575,428</u>	<u>733,868</u>
Impact of change in accounting policy (note 2)		<u>41,035</u>
As restated at 1 January 2018		<u>774,903</u>

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
<i>Deferred tax in the income statement</i>		
Accelerated capital allowances	10,403	40,411
Accruals	69,527	(68,923)
Pension plans and other post-employment medical benefits	58,670	55,469
Tax losses carried forward	-	209,745
Change in tax rates	(2,852)	243
Deferred tax debit	<u>135,748</u>	<u>236,945</u>

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
<i>Deferred tax in the statement of other comprehensive income</i>		
Pension plans and other post-employment medical benefits	35,001	(76,230)
Change in tax rates	28,726	4,950
Deferred tax debit/(credit)	<u>63,727</u>	<u>(71,280)</u>



10. INTANGIBLE ASSETS

	Goodwill £	Computer software £	Branding £	Totals £
<b>COST</b>				
At 1 January 2018	5,234,691	1,332,604	88,186	6,655,481
Disposals	-	(115,416)	-	(115,416)
At 31 December 2018	<u>5,234,691</u>	<u>1,217,188</u>	<u>88,186</u>	<u>6,540,065</u>
<b>AMORTISATION</b>				
At 1 January 2018	1,276,252	1,129,834	20,785	2,426,871
Amortisation for year	-	64,238	29,395	93,633
Disposals	-	(115,416)	-	(115,416)
At 31 December 2018	<u>1,276,252</u>	<u>1,078,656</u>	<u>50,180</u>	<u>2,405,088</u>
<b>NET BOOK VALUE</b>				
At 31 December 2018	<u>3,958,439</u>	<u>138,532</u>	<u>38,006</u>	<u>4,134,977</u>
At 31 December 2017	<u>3,958,439</u>	<u>202,770</u>	<u>67,401</u>	<u>4,228,610</u>

**Apleona HSG Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**11. TANGIBLE FIXED ASSETS**

	<b>Leasehold property £</b>	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Assets under construction £</b>	<b>Totals £</b>
<b>COST</b>					
At 1 January 2018	20,637	944,978	5,021,822	1,048,407	7,035,844
Reallocations	-	-	1,165,589	(1,165,589)	-
Additions	-	-	236,802	117,182	353,984
Disposals	-	(61,360)	(817,433)	-	(878,793)
At 31 December 2018	<u>20,637</u>	<u>883,618</u>	<u>5,606,780</u>	<u>-</u>	<u>511,035</u>
<b>DEPRECIATION</b>					
At 1 January 2018	20,081	944,978	4,254,687	-	5,219,746
Charge for year	556	-	375,111	-	375,667
Disposals	-	(61,360)	(817,433)	-	(878,793)
At 31 December 2018	<u>20,637</u>	<u>883,618</u>	<u>3,812,365</u>	<u>-</u>	<u>4,716,620</u>
<b>NET BOOK VALUE</b>					
At 31 December 2018	<u>-</u>	<u>-</u>	<u>1,794,415</u>	<u>-</u>	<u>1,794,415</u>
At 31 December 2017	<u>556</u>	<u>-</u>	<u>767,135</u>	<u>1,048,407</u>	<u>1,816,098</u>

The net book value of tangible fixed assets includes £nil (2017 - £nil) in respect of assets held under hire purchase contracts.

**12. INVESTMENTS**

a) Investments in subsidiary undertakings

	£
At 1 January 2018	4,202
Impairments (see note 5)	<u>(4,201)</u>
At 31 December 2018	<u>1</u>

The following wholly owned dormant subsidiary undertakings, all previously incorporated in England and Wales, were formally dissolved on 14 August 2018 and any relevant investment carrying value was impaired:

- Europa Facility Services Limited
- Europa Facilities Management Limited
- Europa Workspace Solutions Limited
- Nationwide Facility Services Limited
- Nationwide Maintenance Limited

The company's investments at the Balance Sheet date in the share capital of companies include the following:

**Europa TFM Ireland Limited**

Country of incorporation: Ireland  
Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

**Nationwide FM Limited**

Country of incorporation: England and Wales  
Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

**Europa Nationwide Technical Services Limited\***

Country of incorporation: England and Wales  
Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

\*subsidiary of Nationwide FM Limited

Europa Nationwide Technical Services Limited was previously Nationwide Building Services Group Limited.

Nationwide Facility Services Ltd previously traded as Europa Workspace Services.

**13. CONTRACT FULFILMENT ASSETS**

	£ (as restated)
At 1 January 2017	555,524
Additions	201,732
Amortisation	<u>(207,606)</u>
At 31 December 2017	549,650
Amortisation	<u>(217,218)</u>
At 31 December 2018	<u>332,432</u>

**14. STOCKS**

	Dec-18 £	Dec-17 £
Goods for resale	<u>449,690</u>	<u>455,853</u>

**15. DEBTORS**

	Dec-18 £	Dec-17 (as restated) £
Trade debtors	10,740,942	15,171,042
Amounts to be billed for work performed	8,231,242	6,751,133
Amounts owed by group undertakings	598,684	3,337,452
Other debtors	199,972	222,992
Corporation tax recoverable	189,450	461,497
Prepayments and accrued income	<u>1,145,812</u>	<u>2,523,529</u>
Amounts falling due within one year	<u>21,106,102</u>	<u>28,467,645</u>
Deferred tax asset	<u>575,428</u>	<u>733,868</u>
Amounts falling due after one year	<u>575,428</u>	<u>733,868</u>
Debtors	<u>21,681,530</u>	<u>29,201,513</u>

Trade debtors are stated after provision for impairment of £3,059,000 (2017 as restated: £2,511,000).

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Dec-18</b>	<b>Dec-17 (as restated)</b>
	<b>£</b>	<b>£</b>
Trade creditors	3,696,523	6,424,918
Contract liabilities – deferred income	1,139,696	3,875,696
Amounts owed to group undertakings	12,654,220	11,101,466
Social security and other taxes	3,163,015	3,924,055
Other creditors	711,766	549,033
Accruals and deferred income	<u>11,320,125</u>	<u>11,744,459</u>
	<u><b>32,685,345</b></u>	<u><b>37,619,627</b></u>

Amounts owed to group undertakings includes an amount of £10,358,647 (2017: £8,351,467) in respect of a revolving shareholder loan provided in order to allow the Company to meet it's day-to-day and project related financial obligations. The loan is available until further notice and bears interest at 1-month Euribor plus 1%.

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

**a) Provision for costs arising from closure of mobile engineering**

	<b>£</b>
At 1 January 2018	1,799,800
Additions	-
Used	<u>(1,255,285)</u>
At 31 December 2018	<u><b>544,515</b></u>

The closure provision includes provision for estimated costs of redundancies, early termination of vehicle and property leases, anticipated losses from changes to contracts and other anticipated irrecoverable costs. The closure of the Company's mobile engineering service was announced to staff in December 2017 and will be completed within the first half of 2018. The closing provision in 2018 represents the estimated final impact of termination costs of vehicles, contracts and other irrecoverable costs which will not be finally established until after negotiation and may be spread over two to three years. Reimbursements of the provision will be recognised as final cost structures are agreed.

**18. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	<b>Non-cancellable operating leases</b>	
	<b>Dec-18</b>	<b>Dec-17 (as restated)</b>
	<b>£</b>	<b>£</b>
Within one year	1,362,696	1,589,069
Between one and five years	1,424,187	3,249,667
In more than five years	557,500	1,232,877
	<u>3,344,383</u>	<u>6,071,613</u>

The comparative value for minimum lease payments due within one year as at December 2017 has been amended to reflect a calculation error (previously disclosed value £831,056).

**19. CALLED UP SHARE CAPITAL**

*Allotted, issued and fully paid:*

<b>Number:</b>	<b>Class:</b>	<b>Nominal value:</b>	<b>Dec-18 £</b>	<b>Dec-17 £</b>
1,109,890	Ordinary shares	0.10	110,989	110,989
108,364	B Ordinary shares	0.10	10,836	10,836
			<u>121,825</u>	<u>121,825</u>

All shares carry equal voting rights and dividend rights.

**20. RESERVES**

	Retained earnings £	Share premium £	Totals £
At 31 December 2017	(6,818,012)	1,556,677	(5,261,335)
Change in accounting policy (note 2)	<u>(200,345)</u>	<u>-</u>	<u>(200,345)</u>
At 1 January 2018 (as restated)	(7,018,357)	1,556,677	(5,461,680)
Loss for the year	(1,584,053)	-	(1,584,053)
Other comprehensive losses	<u>120,487</u>	<u>-</u>	<u>120,487</u>
At 31 December 2018	<u>(8,481,923)</u>	<u>1,556,677</u>	<u>(6,925,246)</u>

**21. EMPLOYEE BENEFIT OBLIGATIONS**

The company operates a defined benefit scheme in the UK. This is a separate trustee-administered fund holding the pension scheme assets to meet long term pension liabilities. The trustees must agree a funding plan with the company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. A triennial scheme funding valuation was carried out at 31 December 2017 to assess the shortfall. Triennial valuations are carried out with the scheme's obligations measured using prudent assumptions (relative to those used to measure accounting liabilities).

The company currently pays contributions at the rates set out in the Schedule of Contributions prepared following the triennial scheme funding valuation. Under this Schedule of Contributions, the company's contributions are £800,000 per annum (2017: £500,000 per annum) in respect of the funding shortfall plus 49.5% (2017: 59%) of pensionable salaries to cover new benefit accrual, administration expenses and PPF levies. In addition, for each financial year the Company will pay a profit share contribution equal to 20% of any profit after tax for the prior financial year.

The level of benefits provided depends on members' length of service and their salary in the years leading up to retirement. The pensions in payment increase in line with inflation or by fixed amounts. The Scheme is still accruing benefits but is closed to new entrants.

The impact of Guaranteed Minimum Pension equalisation is immaterial for the scheme.

The trustees are also responsible for investing the scheme assets, administration of benefits and exercising discretionary powers.

**Apleona HSG Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**21. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in the balance sheet are as follows:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Present value of funded obligations	(11,673,000)	(12,547,000)
Fair value of scheme assets	<u>9,594,000</u>	<u>9,975,000</u>
Deficit	<u>(2,079,000)</u>	<u>(2,572,000)</u>

Sensitivity analysis of the defined benefit obligation is as follows:

	<b>Percentage change in defined benefit obligation</b>	
	<b>Dec-18</b>	<b>Dec-17</b>
Discount rate +0.5%	(9.5%)	(9.5%)
Discount rate -0.5%	10.5%	11.0%
Pension increases +0.5%	7.5%	7.5%
Pension increases -0.5%	(7.0%)	(7.0%)
Salary increases +0.5%	1.5%	1.5%
Salary increases -0.5%	(1.5%)	(1.5%)

Changes in the present value of the defined benefit obligation are as follows:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	12,547,000	12,029,000
Service cost	54,000	74,000
Interest cost	335,000	335,000
Employee contributions	2,392	6,000
Actuarial (gains)/losses	(950,392)	318,000
Benefits paid	<u>(315,000)</u>	<u>(215,000)</u>
	<u>11,673,000</u>	<u>12,547,000</u>



**21. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the fair value of scheme assets are as follows:

	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Opening fair value of scheme assets	9,975,000	9,485,811
Interest income	271,000	270,000
Employer contributions	537,786	610,516
Employee contributions	2,392	6,000
Actuarial losses	(766,178)	(59,327)
Benefits paid	(315,000)	(215,000)
Administration expenses	(111,000)	(123,000)
	<u>9,594,000</u>	<u>9,975,000</u>

The amounts recognised in profit or loss are as follows:

	<b>Defined benefit pension plans</b>	
	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Current service cost	54,000	74,000
Administration expenses	111,000	123,000
Net interest from net defined benefit asset/liability	64,000	65,000
	<u>229,000</u>	<u>262,000</u>

The amounts recognised in other comprehensive income are as follows:

	<b>Defined benefit pension plans</b>	
	<b>Dec-18</b>	<b>Dec-17</b>
	<b>£</b>	<b>£</b>
Expected return less actual return on scheme assets	(811,000)	(78,000)
Actuarial gains /(losses) on defined benefit obligations due to:		
• experience	20,000	206,000
• changes in assumptions	975,214	(505,327)
	<u>184,214</u>	<u>(377,327)</u>

## 21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	<b>Defined benefit pension plans</b>	
	<b>Dec-18</b>	<b>Dec-17</b>
Equities	85.4%	76.0%
Bonds	14.5%	22.1%
Cash	0.1%	1.9%
	<u>100.0%</u>	<u>100.0%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<b>Dec-18</b>	<b>Dec-17</b>
Discount rate for scheme liabilities	2.80%	2.70%
Future salary increases	3.20%	3.50%
Rate of increase of pensions in payment capped at 3%	2.60%	2.80%
Rate of increase of pensions in payment capped at 5%	3.20%	3.50%
Rate of increase of pensions in payment uncapped	3.20%	3.50%
Inflation	3.20%	3.50%
Revaluation rate of pensions in deferment linked to inflation	3.20%	3.50%
Assumed life expectancies on retirement at age 65:		
- Retiring today – males	23.1	22.9
- Retiring today – females	25.2	24.9
- Retiring in 20 years – males	25.4	25.2
- Retiring in 20 years – females	27.5	27.3

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principals. The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

The underlying mortality assumption for pensions in payment are based upon the standard tables known as SNA03 CMI 2012 with 50% medium and 50% long cohort future improvement factors subject to a minimum underpin improvement in mortality rates at every age of 1.5% pa. The final liability values have been reduced by 6.5%. There are separate tables for men and women. Before retirement no mortality has been assumed.

The total contributions to the defined benefit scheme in 2018 are expected to be £750,000 (2017: £610,000).

The total contributions to defined contribution schemes in 2018 were £1,084,631 (2017: £783,819).

## 22. CONTINGENT LIABILITIES

There are guaranteed bonds in place for £448,000 (2017 - £698,000).

**23. RELATED PARTY TRANSACTIONS**

Transactions with group companies have not been disclosed as the company has taken advantage of the exemption in FRS 101 from the requirement to disclose transactions with other wholly owned group companies.

**24. ULTIMATE CONTROLLING PARTY**

The immediate parent company at 31 December 2018 was Apleona PPP Limited (formerly Bilfinger PPP Facility Management Limited), registered in England and Wales.

The ultimate parent undertaking is EQT VII (No 1) LP, a limited partnership registered in the United Kingdom. The largest and smallest group in which this company is consolidated is that of Apleona Group GmbH. Apleona Group GmbH prepares group financial statements and copies can be obtained from An der Gehespitz, 50, 63263, Neu-Isenburg.