

idverde UK Limited

Annual report and consolidated financial statements

Registered number 06539986

For the year ended 31 December 2019

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Strategic report

idverde UK Limited (“idverde” or “Group”) is a holding company for the UK trading group. idverde is the leading provider of specialist green services, delivering grounds management, arboriculture, cleansing, park management and consultancy, facilities management and sports & landscape creation services.

On 31 January 2019, the Group acquired control of KJT Group Limited, a company registered in England, through a purchase of 100% of the share capital of the company for a total consideration of £3,482,000 payable in cash. KJT Group Limited undertakes grounds maintenance, arboricultural and specialist traffic management operations predominantly in the South West of England, complementary to the idverde UK Group’s existing business streams.

On 28 June 2019, the Group acquired control of Aspho Surfacing Limited and Assist Solutions Group Limited and its subsidiaries (Assist Group) as a combined arrangement through the purchase of 100% of the respective share capital on these two companies for a total consideration of £7,504,000 payable in cash. All Assist Group companies are registered in England. The Assist Group undertakes grounds maintenance, arboricultural and highway services predominantly in the North West of England, complementary to the idverde UK Group’s existing business streams.

On 10 October 2019, the Group acquired control of T.C.L. Holdings (Parent) Limited and its subsidiaries (TCL Group) through the purchase of 100% of the share capital of the company for a total consideration of £16,095,000 payable in cash. All TCL Group companies are registered in England. The TCL Group is a national provider of landscaping, play products and grounds maintenance services, complementary to the idverde UK Group’s existing business streams.

These strategic acquisitions provide the Group with expanded coverage across the United Kingdom and diversifies its service provision to Local Authority and private commercial clients. Full details of the assets acquired can be found in the consolidated financial statements for the parent of the Group, idverde UK Limited.

idverde wins the majority of its income by tendering for, and the delivery of, long-term maintenance contracts. It has an enviable record for the quality of its service delivery and consequently for retaining contracts when they come up for extension and renewal. Our strategy to expand our presence and offer a truly national service delivered via directly employed colleagues is now a demonstrable quality USP in the market.

idverde continues to follow its four point strategy for growth, namely:

- 1 Retaining and renewing existing contracts through the continued delivery of a quality service mainly through a directly employed service provision;
- 2 Organic growth via new contracts;
- 3 Acquisitive growth from selective strategic acquisitions; and
- 4 Continued development of its people, processes and systems.

During the year, idverde won/commenced a number of significant new long-term contracts most notably:

- idverde’s strategic holistic parks management and ground maintenance, event management and neighbourhood services contract with London Borough of Bromley was re-secured for a new eight year term commencing in April 2019 with an option to extend for a further eight years.
- A new ten year contract was secured with Telford & Wrekin Council to provide grounds maintenance services, commencing in April 2019. The contract has an option to extend for a further two years.
- A new two year contract with Scottish Gas Networks commenced in April 2019 for road reinstatement services across Scotland. This contract has an option to extend for a further two years.
- A number of strategic partnerships with public and private housing associations with terms ranging from two to six years including extension periods. Examples include a three plus two contract with Golding Homes based in Kent and South East England commencing in April 2019; a three plus two contract with Peaks & Plains Housing Trust based in Cheshire commencing in April 2019; and a three plus two contract with Havebury Housing Partnership based in Suffolk commencing in February 2019.

Strategic Report *(continued)*

In addition to new secured business we also report the successful completion of two major grounds maintenance contracts where the respective clients have elected to self-deliver the services going forward. The contract with Croydon local authority concluded in January 2019 and the contract with Birmingham City Council concluded in April 2019. Both contracts were brought into the Group via the acquisition of Quadron Services Limited in 2016.

Following the new business won in the year, the Group (of which idverde Limited is the main operating subsidiary) has a forward contractual order book £833 million (*year ended 31 December 2018: £683 million*), including available extension periods totaling £380 million. The bid pipeline remains healthy, with a number of significant tenders in the pipeline for 2021.

Management continues to address the issues surrounding the reducing budgets of many of our public sector clients, working even closer with them to help achieve their budget reductions and service delivery objectives, ensuring the Group protects its margin at the same time as delivering client objectives. This approach together with The Group's enviable track record of securing contract extensions has meant that it continues to develop its first strategic objective to "keep and improve what we have got".

Key performance indicators ("KPIs")

Turnover

Turnover for the year was £167,985,000 (*2018: £120,782,000*). Turnover increased due to the acquisitions and new significant contract wins that commenced during the year as noted above.

Gross Profit

The gross profit margin for the period was 12.1% (*year ended 31 December 2018: 12.8%*), the decrease was due to a change in the mix of contracts under management together with the changes noted in the Turnover KPI. At the start of new contracts and when contracts are retained, the margin is lower as new operational practices are deployed.

Operating Profit Margin %

The underlying operating profit margin for the period was 2.43% (*year ended 31 December 2018: 4.75%*), the decrease on prior year was predominantly as a result of the impact of change in maturity profile of contracts managed by idverde.

Financial risk management

idverde's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk and liquidity risk. idverde has in place a risk management programme that seeks to limit the adverse effects on its financial performance, by monitoring levels of debt finance and the related finance costs. Given the size of idverde, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set out by the board of directors are implemented by idverde's central finance department.

Price Risk

idverde is exposed to commodity price risk as a result of its operations. idverde sources products from its supply chain on a best price basis, leveraging off the UK (and on occasion) the European Group's size and bandwidth to achieve the best commercial terms.

Credit Risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The group operates credit insurance for significant private sector transactions. There were no occasions during 2019 where the credit insurance policy was required (in 2018 a claim was required, albeit not considered material, in connection with exposure to the Carillion business).

Liquidity Risk

idverde Group, with the support of the Group's principal shareholder, actively maintains a mixture of long term and short term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Strategic report *(continued)*

Business risk

idverde regularly assesses risks that impact on the business. This includes our processes and procedures in relation to quality and health and safety. idverde has maintained its full accreditation for ISO9001, ISO14001 and OHSAS18001. As part of our Integrated Management System, idverde conducts regular risk assessments and audits with management committed to improving controls and processes. idverde's Board regularly reviews such risk assessments together with related health and safety matters. All of the key indicators showed an improving trend throughout the year. During the year, idverde continued its training programme for managers and relevant Directors to undertake NEBOSH and IOSH training courses. All senior operational directors and managers are encouraged to obtain qualification to NEBOSH certificate level. The ongoing programme in 2020 continues to train its directors and managers. idverde also has a policy of ensuring that every operational or contract manager is qualified to IOSH level and has a continuous training programme to maintain this with new employees and as new managers join on new contracts.

By order of the Board



J E Rhodes
Director

31 January 2021

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Results and dividends

The consolidated income statement is set out on page 10.

The directors do not recommend a dividend on the ordinary shares (2018: £Nil).

Post Statement of Financial Position

At the time of signing the accounts the directors were aware of the potential economic and social effects of the COVID-19 virus outbreak. The full impact of the pandemic on the UK economy is yet to be seen, but the Group will continue to seek to mitigate the risk by following the UK Government's guidelines and adapting/developing its own internal strategy.

Going concern

At 31 December 2019, the Group has net current liabilities of £337,000 (2018: net current liabilities £4,926,000) as shown on page 12. The directors consider the Group to be a going concern on the basis that results of the Group since 31 December 2018 and forecasts prepared indicate that the Group is able to operate within its current facilities.

Employment of disabled persons

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

Employment involvement

During the year, the Group continued to develop its 'grow our own' strategy of attracting and developing talent at all levels within the business. This positive investment by the group has helped to address the industry wide skills shortage.

The Accelerated Leadership Programme (ALP) and Management Development Programme (MDP) enable the group to continually develop the management of people within the business. These programmes educate and guide managers in leadership styles, their own work preferences, the impact of their management on others and the link between good quality leadership, employee engagement and performance. This has resulted in progression to senior management roles for a number of developing managers during the year

Training and up skilling amongst Operatives continues to be delivered through the continuation of offering Work Based Diplomas in 12 industry specific frameworks. Our commitment to ensuring that our attraction strategy to offer training and development under apprenticeship schemes continues to develop, and idverde has notably established an industry leading development centre for its colleagues, Performance Campus.

Communications with staff include a monthly newsletter distributed to all colleagues. Toolbox talks are given regularly to provide updates on general company information and health and safety issues. One significant initiative during the year was the introduction of "brown bag lunches" where a member of the senior leadership team hosts a general discussion over lunchtime with up to 20 colleagues. This provides a forum for the colleagues to discuss company issues and plans with the management team. It has been a resounding success during the year with excellent colleague feedback. During the year 15% of idverde UK's 2,600 colleagues had the opportunity to attend a session.

Directors' report *(continued)*

Directors

The directors of the company during the year and changes subsequent to the year end were:

N Temple-Heald (resigned 12 October 2020)
D J Graham
H Lancon
E Faivre D'Arcier
S Hughes-Clarke (resigned 31 December 2019)
J E Rhodes
A K Gomm
S Huxley (appointed 1 February 2019)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, Kreston Reeves LLP were appointed as auditors in the year.

By order of the Board



J E Rhodes
Director

Octavia House
Westwood Way
Coventry
CV4 8JP

31 January 2021

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of idverde UK Limited

Opinion

We have audited the financial statements of idverde UK Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent company Balance Sheet, Consolidated Statement of Cash Flows, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Statement of Changes in Equity and the related notes 1 to 36, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group and parent 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 group's or the parent 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.

Independent auditor's report to the members of idverde UK Limited *(continued)*

Other information

The other information comprises the information included in the annual report set out on pages 1 to 5, 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 6, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of idverde UK Limited (continued)

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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

Kreston Reeves LLP

Robert Sellers FCCA (Senior statutory auditor)

for and on behalf of Kreston Reeves LLP, Statutory Auditor

Chatham Maritime

12 February 2021

Consolidated Income Statement
for the year ended 31 December 2019

	Note	2019			2018		
		Underlying	*Non-underlying	Total	Underlying	*Non-underlying	Total
		£000	£000	£000	£000	£000	£000
Turnover	2	167,985	-	167,985	120,782	-	120,782
Cost of sales		(147,495)	-	(147,495)	(105,277)	-	(105,277)
Gross profit/(loss)		20,490	-	20,490	15,505	-	15,505
Administrative expenses	6	(16,412)	(4,998)	(21,410)	(9,767)	638	(9,129)
Operating profit/(loss)	4	4,078	(4,998)	(920)	5,738	638	6,376
Finance expenses	7	(4,231)	-	(4,231)	(1,697)	-	(1,697)
Net financing expense		(4,231)	-	(4,231)	(1,697)	-	(1,697)
Profit/(loss) before taxation		(153)	(4,998)	(5,151)	4,041	638	4,679
Taxation	8	759	-	759	(939)	-	(939)
Profit/(loss) for the year		606	(4,998)	(4,392)	3,102	638	3,740

* Non-underlying comprises those items which are unusual because of their size, nature or incidence. The directors consider that these items should be separately identified within their relevant Consolidated Income Statement caption to enable a full understanding of the Group's results.

All amounts relate to continuing activities.

The notes on pages 15 to 50 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
(Loss)/profit for the year		(4,392)	3,740
Other comprehensive income: items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	17	406	1,866
Income tax on items that will not be reclassified to profit or loss		(69)	(317)
Other comprehensive income for the year, net of income tax		337	1,549
Total comprehensive (expense)/income for the year		(4,055)	5,289

The notes on pages 15 to 50 form an integral part of these financial statements.

Consolidated Balance Sheet
at 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	9	24,248	12,857
Right to use assets		16,539	-
Intangible assets	10	86,283	34,581
Deferred tax assets	12	-	590
		<u>127,070</u>	<u>48,028</u>
Current assets			
Inventories	13	3,497	155
Trade and other receivables	14	48,316	20,799
Cash and cash equivalents		4,344	3,100
		<u>56,157</u>	<u>24,054</u>
Total assets		<u>183,227</u>	<u>72,082</u>
Current liabilities			
Trade and other payables	15	(47,713)	(23,478)
Other interest-bearing loans and borrowings	16	(7,946)	(4,316)
Provisions	18	(835)	(1,186)
		<u>(56,494)</u>	<u>(28,980)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	16	(108,266)	(19,012)
Employee benefits	17	(1,509)	(2,150)
Provisions	18	-	(927)
		<u>(109,775)</u>	<u>(22,089)</u>
Total liabilities		<u>(166,269)</u>	<u>(51,069)</u>
Net assets		<u>16,958</u>	<u>21,013</u>
Equity attributable to equity holders of the parent			
Share capital	19	16,721	16,721
Share premium		15,837	15,837
Retained earnings		(15,600)	(11,545)
Total equity		<u>16,958</u>	<u>21,013</u>

The notes on pages 15 to 50 form an integral part of these financial statements. These financial statements were approved by the Board of directors on 31 January 2021 and were signed on its behalf by:



J E Rhodes
Director

Company registered number: 06539986

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	16,721	15,837	(16,834)	15,724
Total comprehensive income for the year				
Profit for the year	-	-	3,740	3,740
Other comprehensive income	-	-	1,549	1,549
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>5,289</u>	<u>5,289</u>
Balance at 31 December 2018	<u>16,721</u>	<u>15,837</u>	<u>(11,545)</u>	<u>21,013</u>
Balance at 1 January 2019	16,721	15,837	(11,545)	21,013
Total comprehensive (expense)/income for the year				
Loss for the year	-	-	(4,392)	(4,392)
Other comprehensive income	-	-	337	337
Total comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>(4,055)</u>	<u>(4,055)</u>
Balance at 31 December 2019	<u>16,721</u>	<u>15,837</u>	<u>(15,600)</u>	<u>16,958</u>

The notes on pages 15 to 50 form an integral part of these financial statements.

Consolidated Cash Flow Statement for year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
(loss)/profit for the year		(4,392)	3,740
Adjustments for:			
Depreciation of property, plant and equipment	4	11,826	4,684
Financial expense	7	4,231	1,697
Loss/(gain) on sale of property, plant and equipment	4	368	(99)
Amortisation	10	1,734	1,277
Taxation		(759)	939
		<hr/> 13,008	<hr/> 12,238
Working capital changes:			
Increase in trade and other receivables	14	(6,759)	(1,311)
Decrease in inventories	13	87	55
Increase/(decrease) in trade and other payables	15	16,450	(3,161)
(Decrease)/increase in provisions and employee benefits	17	(1,568)	291
		<hr/> 21,218	<hr/> 8,112
Interest received		-	1
Interest paid		(2,049)	(970)
Tax paid		(750)	(681)
		<hr/> 18,419	<hr/> 6,462
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		374	223
Acquisition of property, plant and equipment	9	(3,183)	(1,525)
Acquisition of subsidiary	3	(25,066)	(3,786)
		<hr/> (27,875)	<hr/> (5,088)
Net cash from investing activities			
Cash flows from financing activities			
Capital element of finance leases repaid		(6,111)	(3,333)
Loans repaid		(34,888)	-
Loans drawn		51,699	-
		<hr/> 10,700	<hr/> (3,333)
Net cash from financing activities			
Net decrease in cash and cash equivalents		1,244	(1,959)
Cash and cash equivalents at start of year		3,100	5,059
Cash and cash equivalents at end of year		<hr/> 4,344	<hr/> 3,100

The notes on pages 15 to 50 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

idverde UK Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 06539986 and the registered address is Octavia House, Westwood Way, Coventry, CV4 8JP.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 46 to 51.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.20

1.1. Measurement convention

The financial statements are prepared on the historical cost basis with the exception of pension scheme assets, monetary assets and liabilities stated in foreign currencies and non-derivative financial instruments which are stated at fair value.

1.2. Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 3. The financial position of the Group is set out in the Consolidated Balance Sheet on page 12 and its cash flows in the Consolidated Cash Flow Statement on page 14. Details of the Group’s borrowings and financial instruments are set out in note 16 on page 35 and page 36 and in note 20 on page 44.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

At the time of approving the financial statements, the directors have a reasonable expectation that the group, will continue to mitigate the risks of the impact caused by COVID-19, has adequate resources to continue in operational existence for the foreseeable future and the directors continue to adopt the going concern basis.

1.3. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the financial statements (*continued*)

1.4. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.5. Revenue

Revenue from service contracts represents the fair value of work performed in connection with grounds maintenance services, excluding value added tax. Revenue from long term landscape construction projects is accounted for under the principles of long term contract accounting and is recognised on the basis of an assessment of fair value of works performed, exclusive of value added tax. Differences between this and amounts invoiced are held as amounts recoverable on contract or payments on account. Full provision for loss-making contracts is made for any foreseeable losses.

1.6. Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.7. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the financial statements (*continued*)

1.8. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Freehold property 2% to 10% straight line
- Leasehold property evenly over term of lease
- Plant and machinery 8% - 100% straight line
- Motor vehicles 10% - 33% straight line
- Office equipment 10% - 33% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.9. Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

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

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of 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:

- Customer contracts 8 years

Notes to the financial statements (*continued*)

1.10. Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

1.11. Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. It is measured at cost plus profit recognised to date (see the revenue accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

1.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase in a first-in first-out principle.

Notes to the financial statements (*continued*)

1.13. Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their 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 asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements (*continued*)

1.14. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

1.15. Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements (*continued*)

1.16. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.17. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.18. Implementation of new IFRSs during the year

The following new relevant standards and amendments became effective as of 1 January 2019, and have been adopted by the Group:

- IFRS 16 Leases

The impact of adopting IFRS 16 is set out in note 25.

Notes to the financial statements (*continued*)

1.19. Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The nature of the Group's business is such that there can be unpredictable variation and uncertainty regarding its business. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant management judgements

The judgements that have a significant impact on the carrying value of assets and liabilities are discussed below:

Consolidation

Management have concluded that is not appropriate to utilise the exemption from consolidation available to investment entities under IFRS10 as it is not considered to meet all of the essential elements of the definition of an investment entity as performance is not measured or evaluated on a fair value basis. Accordingly the consolidation includes all entities which the Company controls.

Significant estimates

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Receivables

Due to the nature of some services provided by certain businesses within the Group the recoverability of receivables can be subject to management estimates. Management estimation is required in measuring and recognising provisions and otherwise determining the exposure to unrecoverable debts. Sensitivity is limited through the Group's credit control procedures and the overall high quality of the Group's customer base, although it is acknowledged that some customer concentration can mean that adjustments could be material

Useful lives of depreciable assets

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the consolidated income statement.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology or regulations.

Business combinations

When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management estimations. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then the difference is recorded as a gain in the income statement.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Notes to the financial statements *(continued)*

1.20. Significant accounting estimates and judgements *(continued)*

Deferred tax asset

The Group recognises a deferred tax asset in respect of temporary differences relating to capital allowances, revenue losses and other short term temporary differences when it considers there is sufficient evidence that the asset will be recovered against future taxable profits.

This requires management to make decisions on such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there is a change in the tax rates or to the period over which temporary timing differences might be recognised, the value of the deferred tax asset will need to be revised in a future period.

The most sensitive area of estimation risk is with respect to losses. The Group has losses for which no value has been recognised for deferred tax purposes in these financial statements, as future economic benefit of these temporary differences is not probable. If appropriate profits are earned in the future, recognition of the benefit of these losses may result in a reduced tax charge in a future period.

2. Revenue

	2019	2018
	£000	£000
Grounds maintenance	140,385	102,962
Landscape construction	27,600	17,820
	<u>167,985</u>	<u>120,782</u>

Turnover arises solely within the United Kingdom.

Notes to the financial statements (*continued*)

3. Business combinations

Acquisitions in the current year

On 31 January 2019, the Company acquired control of KJT Group Limited, a company registered in England, through a purchase of 100% of the share capital of the company for a total consideration of £3,482,000 payable in cash. KJT Group Limited undertakes grounds maintenance, arboriculture and specialist traffic management operations predominantly in the South West of England, complimentary to the Group's existing business streams. In the eleven months to 31 December 2019, the subsidiary contributed net loss of £109,000 to the consolidated net loss for the year. If the acquisition had occurred on 1 January 2019, Group revenue would have been an estimated £173,972,000 and net loss would have been an estimated £4,511,000. In determining these amounts, the directors have assumed that the fair value adjustments that arose at the date of acquisition would have been the same if the acquisition occurred on 1 January 2019.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value recognised on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	1,859
Property, plant and equipment	1,500
Trade and other receivables	829
Cash and cash equivalents	(646)
Trade and other payables	(2,828)
	<hr/>
Net identifiable assets	714
	<hr/>
Cash consideration paid	3,482
	<hr/>
Goodwill arising on acquisition	2,768
	<hr/>

The recognition of goodwill is underpinned by the forward order book in place for KJT Group Ltd at the date of acquisition.

Fair values determined on a provisional basis

As the acquisition is more than 12 months prior to the authorised for issuance date of the financial statements, all of the fair values are now confirmed.

The Group incurred acquisition related costs of £240,000 related to the cost of due diligence and legal expenses. These costs have been included in non-underlying administrative expenses in the Group's Consolidated Income Statement.

Acquired receivables

There is no difference between the gross contractual and fair value of acquired receivables.

Notes to the financial statements *(continued)*

3. Business combinations *(continued)*

On 28 June 2019, the Company acquired control of Aspho Surfacing Limited and Assist Solutions Group Limited and its subsidiaries (Assist Group) as a combined arrangement through the purchase of 100% of the respective share capital on these two companies for a total consideration of £7,504,000 payable in cash. All Assist Group companies are registered in England. The Assist Group undertakes grounds maintenance, arboricultural and highway services predominantly in the North West of England, complimentary to the idverde UK Group's existing business streams. In the six months to 31 December 2019 the impact of the trading assets contributed net loss of £165,000 to the consolidated net loss for the year. If the acquisition had occurred on first day of accounting period, Group revenue would have been an estimated £182,945,000 and net loss would have been an estimated £4,722,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on first day of accounting period.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value recognised on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	4,110
Property, plant and equipment	997
Current assets	3,541
Cash	160
Trade and other payables	(4,852)
Net identifiable assets	<u>3,956</u>
Cash consideration paid	7,504
Goodwill arising on acquisition	<u>3,548</u>

The recognition of goodwill is underpinned by the forward order book in place for the Assist Group at the date of acquisition.

Fair values determined on a provisional basis

As the acquisition is more than 12 months prior to the authorised for issuance date of the financial statements, all of the fair values are now confirmed.

The Group incurred acquisition and integration related costs of £840,000 related to the cost of due diligence and legal expenses. These costs have been included in non-underlying administrative expenses in the Group's Consolidated Income Statement.

Notes to the financial statements *(continued)*

3. Business combinations *(continued)*

On 10 October 2019, the Company acquired control of T.C.L. Holdings (Parent) Limited and its subsidiaries (TCL Group) through the purchase of 100% of the share capital of the company for a total consideration of £16,095,000 payable in cash. All TCL Group companies are registered in England. The TCL Group is a national provider of landscaping, play products and grounds maintenance services, complimentary to the idverde UK Group's existing business streams. In the three months to 31 December 2019 the impact of the trading assets contributed net profit of £236,000 to the consolidated net loss for the year. If the acquisition had occurred on first day of accounting period, Group revenue would have been an estimated £227,941,000 and net loss would have been an estimated £3,448,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on first day of accounting period.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value recognised on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	10,214
Property, plant and equipment	6,914
Current assets	19,817
Cash	2,501
Trade and other payables	(54,287)
Net identifiable assets	(14,841)
Cash consideration paid	16,095
Goodwill arising on acquisition	30,936

The recognition of goodwill is underpinned by the forward order book in place for the TCL Group at the date of acquisition.

Fair values determined on a provisional basis

As the acquisition is more than 12 months prior to the authorised for issuance date of the financial statements, all of the fair values are now confirmed.

The Group incurred acquisition and integration related costs of £1,436,000 related to the cost of due diligence and legal expenses. These costs have been included in non-underlying administrative expenses in the Group's Consolidated Income Statement.

Notes to the financial statements (continued)

3. Business combinations (continued)

Acquisitions in the prior period

On 28 September 2018, the Group acquired control of Landscaping Centre (Holdings) Limited and its subsidiary Landscaping Centre Limited, through a purchase of 100% of the share capital of the holding company Landscaping Centre (Holdings) Limited for a total consideration of £3,611,000 payable in cash. Both companies are registered and domiciled in Northern Ireland. Landscaping Centre Limited, trading as Out There Services, is a leading provider of specialist clean and green services, delivering grounds management, arboriculture and cleansing services, complimentary to the Group's existing business streams. This strategic acquisition provides the Group with expanded coverage across the United Kingdom and diversify its service provision to Local Authority and private commercial clients. In the three months to 31 December 2018, the subsidiaries contributed net profit of £54,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2018, Group revenue would have been an estimated £129,088,000 and net profit would have been an estimated £4,000,000. In determining these amounts, the directors have assumed that the fair value adjustments that arose at the date of acquisition would have been the same if the acquisition occurred on 1 January 2018.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value recognised on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	1,753
Property, plant and equipment	1,458
Inventories	19
Trade and other receivables	1,438
Cash and cash equivalents	105
Deferred tax	(298)
Trade and other payables	(3,427)
Other provisions	(47)
Net identifiable assets	1,001
Cash consideration paid	3,611
Goodwill arising on acquisition	2,610

The recognition of goodwill is underpinned by the forward order book in place for Out There Services at the date of acquisition.

Fair values determined on a provisional basis

As the acquisition is more than 12 months prior to the authorised for issuance date of the financial statements, all of the fair values are now confirmed.

The Group incurred acquisition related costs of £77,000 related to the cost of due diligence and legal expenses. These costs have been included in non-underlying administrative expenses in the Group's Consolidated Income Statement.

Acquired receivables

There is no difference between the gross contractual and fair value of acquired receivables.

Notes to the financial statements *(continued)*

3. Business combinations *(continued)*

On 1 May 2018, the Group acquired certain trading assets of Championship Sports Surfacing for £400,000, to be settled in cash. The business installs and maintains high quality mixed artificial sports surfaces throughout the UK. This strategic acquisition provides the group with a compelling diversity of service provision to clients who require national coverage to service their assets with skilled directly employed idverde colleagues. In the eight months to 31 December 2018 the impact of the trading assets contributed net profit of £105,000 to the consolidated net profit for the year. If the acquisition had occurred on first day of accounting period, Group revenue would have been an estimated £121,071,000 and net profit would have been an estimated £3,783,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on first day of accounting period.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value recognised on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	229
Net identifiable assets	<u>229</u>
Consideration:	
Initial cash consideration paid	280
Deferred cash consideration	120
Total consideration	<u>400</u>
Goodwill arising on acquisition	<u>171</u>

The recognition of goodwill is underpinned by the forward order book in place for Championship Sports Surfacing at the date of acquisition.

Fair values determined on a provisional basis

As the acquisition is more than 12 months prior to the authorised for issuance date of the financial statements, all of the fair values are now confirmed.

The Group incurred acquisition and integration related costs of £410,000 related to the cost of due diligence and legal expenses. These costs have been included in non-underlying administrative expenses in the Group's Consolidated Income Statement.

Notes to the financial statements (continued)

4. Administrative expenses

Included in administrative expenses are the following:

	2019 £000	2018 £000
Amortisation of intangible assets	1,734	1,277
Depreciation - leased	11,826	4,684
Loss/(profit) on sale of assets	368	(99)
	<u> </u>	<u> </u>

Auditor's remuneration:

Audit of these financial statements	45	45
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of the financial statements of subsidiaries of the Company	65	75
	<u> </u>	<u> </u>

Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	<u>Number of employees</u>	
	2019	2018
Administrative staff	187	144
Field operational including managers	2,759	2,279
Executive and non-executive directors	6	5
	<u>2,952</u>	<u>2,428</u>

	2019 £000	2018 £000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	68,257	52,831
Social security costs	5,798	5,509
Other pension costs	2,857	1,918
Expenses related to defined benefit plans held by the group	145	122
	<u>77,057</u>	<u>60,380</u>

Notes to the financial statements *(continued)*

5. Staff numbers and costs *(continued)*

	2019 £000	2018 £000
Remuneration of directors		
Directors' remuneration	919	796
Company contributions to pension plan	55	33
	<u>974</u>	<u>829</u>

Number of directors

2019	2018
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Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	<u>6</u>	<u>5</u>
------------------------	----------	----------

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £292,000 (2018: £248,000), and Company pension contributions of £7,000 (2018: £3,000) were made to a defined contribution pension plan on their behalf.

6. Non-underlying income/(expense)

In the year, the Group incurred £4,998,000 (2018: £712,000) of costs relating to the acquisition and integration of business combinations into the Group.

The Group also recognised non-underlying income following the release of provisions in the prior year totalling £1,350,000.

7. Finance expense

	2019 £000	2018 £000
Loans and other financial expenses	4,176	1,613
Net interest on defined benefit plan obligation	55	84
	<u>4,231</u>	<u>1,697</u>

Total finance expense

Notes to the financial statements *(continued)*

8. Taxation

Recognised in the income statement	2019 £000	2018 £000
<i>Current tax</i>		
Current tax on profits for the year	(227)	883
Adjustment in respect of prior years	(188)	49
Total current tax expense	<u>(415)</u>	<u>932</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(385)	55
Adjustment in respect of prior years	-	(48)
Rate change	41	-
Total deferred tax benefit	<u>(344)</u>	<u>7</u>
Income tax (income)/expense	<u>(759)</u>	<u>939</u>
 Income tax recognised in other comprehensive income	 2019 £000	 2018 £000
Remeasurement of defined benefit liability	<u>69</u>	<u>317</u>

Tax expense for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

Reconciliation of effective tax rate	2019 £000	2018 £000
(Loss)/profit before taxation	(5,151)	4,679
(Loss)/profit multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	(979)	889
Effects of:		
Fixed asset adjustments	(304)	18
Non-deductible expenses	683	64
Other timing differences	(18)	-
Rate difference	47	(33)
Adjustments in respect of prior periods	(188)	1
Tax (credit)/charge	<u>(759)</u>	<u>939</u>

The tax rate for the current year is the same as the prior year.

Changes in the UK corporation tax rates were substantially enacted on 6 September 2016, as part of the Finance Bill 2016. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxed at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

Notes to the financial statements (continued)

9. Property, plant and equipment

	Freehold land & buildings £000	Leasehold land & buildings £000	Plant & equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 January 2018	209	517	24,020	1,878	7,500	34,124
Additions	22	41	2,305	449	515	3,332
Disposals	-	-	(1,514)	(185)	(882)	(2,581)
Acquisitions through business combinations	-	-	943	46	698	1,687
Balance at 31 December 2018	231	558	25,754	2,188	7,831	36,562
Balance at 1 January 2019	231	558	25,754	2,188	7,831	36,562
Additions	124	81	5,485	643	3,199	9,532
Disposals	-	-	(3,000)	(38)	(2,541)	(5,579)
Acquisitions through business combinations	-	413	4,110	1,822	3,066	9,411
Balance at 31 December 2019	355	1,052	32,349	4,615	11,555	49,926
Depreciation and impairment						
Balance at 1 January 2018	34	241	15,400	1,464	4,339	21,478
Depreciation charge	13	83	3,366	305	917	4,684
Disposals	-	-	(1,447)	(180)	(830)	(2,457)
Balance at 31 December 2018	47	324	17,319	1,589	4,426	23,705
Balance at 1 January 2019	47	324	17,319	1,589	4,426	23,705
Depreciation charge	12	123	4,751	401	1,523	6,810
Disposals	-	-	(2,719)	(38)	(2,080)	(4,837)
Balance at 31 December 2019	59	447	19,351	1,952	3,869	25,678
Net book value						
At 31 December 2019	296	605	12,998	2,663	7,686	24,248
At 31 December 2018	184	234	8,435	599	3,405	12,857

At 31 December 2019, the net carrying amount of leased plant & machinery and motor vehicles was £13,691,000 (2018: £9,912,000). The lease plant & machinery and motor vehicles secures lease obligations (see note 16).

Notes to the financial statements (*continued*)

10. Intangible assets

	Customer contracts £000	Goodwill £000	Total £000
Cost:			
Balance at 1 January 2019	7,901	37,923	45,824
Additions through business combinations	16,183	37,253	53,436
Purchase price adjustment	-	-	-
 Balance at 31 December 2019	 24,084	 75,176	 99,260
 Amortisation and impairment:			
Balance at 1 January 2019	4,090	7,153	11,243
Amortisation for the year	1,734	-	1,734
 Balance at 31 December 2019	 5,824	 7,153	 12,977
 Net book value			
At 31 December 2018	18,260	68,023	86,283
 At 31 December 2017	 3,811	 30,770	 34,581

Impairment

Each year, or whenever events or a change in the economic environment or performance indicates a risk of impairment, the Group reviews the value of goodwill allocated to its cash generating units.

An impairment test in a comparison of the carrying value of the assets of the business or CGU to their recoverable amount. The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. Where recoverable amount is less than carrying value, an impairment results. During the period, all goodwill was tested for impairment, with no impairment charge resulting (*2018: No impairment*).

Value in use was determined by discounting the future cash flows generate from the continuing use of the CGU, applying the following key assumptions.

Key assumptions

Cash flows were projected based on the approved 2017 business plan assuming a growth rate between 2018 and 2027 of 3.5%.

Management have used an approved forecast period of greater than five years because given the nature of the business and the contracts secured going-forward, a forecast period of ten years was deemed more appropriate.

The growth rate selected is greater than the long-term average growth rate for the country market of 1.3% because this is based on historical growth rates achieved by the Group. The growth rates used in the value in use calculation reflect the average growth rate experienced by the Group for the country market over a three year period.

The main assumptions within the operating cash flows used for 2017 include the achievement of future sales values and control of prices including achievement of budgeted operating costs and overheads. These assumptions have been reviewed in light of the current economic environment.

The directors have estimated the discount rate by reference to the Group's weighted average costs of capital. A pre-tax weighted average cost of capital of 8.0% has been used for impairment testing.

Notes to the financial statements (continued)

11. Investment in subsidiaries

The Company has the following investments in subsidiaries:

Company	Country of incorporation	Registered address	Principal activity	Shares held	Class of shares held
idverde Holdings Limited	England and Wales	1	Holding company	100%	Ordinary
Banyards Limited*	England and Wales	1	Dormant	100%	Ordinary
Western Landscapes Limited*	England and Wales	1	Dormant	100%	Ordinary
idverde Limited*	England and Wales	1	Grounds maintenance and landscape construction	100%	Ordinary
English Landscapes Maintenance Limited*	England and Wales	1	Dormant	100%	Ordinary
English Landscapes Limited*	England and Wales	1	Dormant	100%	Ordinary
English Woodlands Limited*	England and Wales	1	Dormant	100%	Ordinary
Quadron Services Limited*	England and Wales	1	Grounds maintenance	100%	Ordinary
Blythe Valley Limited*	England and Wales	1	Arboriculture services	100%	Ordinary
KJT Group Limited*	England and Wales	1	Grounds maintenance, arboriculture and traffic management	100%	Ordinary
Aspho Surfacing Limited*	England and Wales	1	Highway services	100%	Ordinary
Assist Solutions Group Limited*	England and Wales	1	Holding company	100%	Ordinary
Assist Support Group Limited*	England and Wales	1	Holding company	100%	Ordinary
Assist Facilities Limited*	England and Wales	1	Dormant	100%	Ordinary
Assist Managed Services Limited*	England and Wales	1	Grounds maintenance and arboriculture	100%	Ordinary
Assist Eurotree Limited*	England and Wales	1	Dormant	100%	Ordinary
Assist Support Services Limited*	England and Wales	1	Dormant	100%	Ordinary
Support Service Solutions Limited*	England and Wales	1	Dormant	100%	Ordinary
Streetcare Limited*	England and Wales	1	Dormant	100%	Ordinary
Assist Utility Services Limited*	England and Wales	1	Dormant	100%	Ordinary
T.C.L. Holdings (Parent) Limited*	England and Wales	2	Holding company	100%	Ordinary
T.C.L. Holdings (Midco) Limited*	England and Wales	2	Holding company	100%	Ordinary
T.C.L. Holdings Limited*	England and Wales	2	Holding company	100%	Ordinary
ICE Watch Limited*	England and Wales	2	Winter maintenance	100%	Ordinary
GBurley & Sons Limited*	England and Wales	2	Grounds maintenance and arboriculture	100%	Ordinary
Plantscape Limited*	England and Wales	2	Dormant	100%	Ordinary
Clean Estates Limited*	England and Wales	2	Dormant	100%	Ordinary
T.C. Landscapes Limited*	England and Wales	2	Holding company	100%	Ordinary
Newincco 1224 Limited*	England and Wales	2	Dormant	100%	Ordinary
Safety Grit Limited*	England and Wales	2	Dormant	100%	Ordinary
PFG Holdings Limited*	England and Wales	2	Holding company	100%	Ordinary
Playforce Limited*	England and Wales	3	Dormant	100%	Ordinary
Forest Hill Landscaping Limited*	England and Wales	2	Dormant	100%	Ordinary
idverde Scotland Limited*	Scotland	4	Dormant	100%	Ordinary
Landscaping Centre (Holdings) Limited*	Northern Ireland	5	Holding company	100%	Ordinary
Landscaping Services Limited*	Northern Ireland	5	Grounds maintenance and landscape construction	100%	Ordinary

* Owned by a subsidiary company

- 1 – Octavia House, Westwood Way, Coventry, CV4 8JP
2 – TCL House, 7 Outrams Wharf, Little Eaton, Derby, DE21 5EL
3 – 1 Pegasus Way, Bowerhill, Melksham, Wiltshire, SN12 6TR
4 – 3 Cambuslang Court, Glasgow, Scotland, G32 8FH
5 – 181b Templepatrick Road, Ballyclare, Co Antrim, BT39 0RA

Notes to the financial statements (continued)

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019	2018	2019	2018
	£000	£000	£000	£000
Intangible assets	-	-	(3,147)	(691)
Tangible fixed assets	397	895	-	-
Short term provisions	8	6	-	-
Employee benefits	352	380	-	-
Losses	-	-	-	-
Deferred tax liability not recognised	-	-	-	-
Tax assets	757	1,281		
Net of tax liabilities	(3,147)	(691)	(3,147)	(691)
Net tax assets	(2,390)	590	(3,147)	(691)

Movement in deferred tax during the year:

	1 January 2019 £000	Recognised in income £000	Recognised in equity £000	Acquired £000	December 2019 £000
Intangible assets	(691)	295	-	(2,751)	(3,147)
Tangible fixed assets	895	16	-	(514)	397
Short term provisions	6	2	-	-	8
Employee benefits	380	41	(69)	-	352
Losses	-	-	-	-	-
Deferred tax liability not recognised	-	-	-	-	-
	590	354	(69)	(3,265)	(2,390)

Movement in deferred tax during the prior year:

	1 January 2018 £000	Recognised in income £000	Recognised in equity £000	Acquired £000	31 December 2018 £000
Intangible assets	(634)	241	-	(298)	(691)
Tangible fixed assets	866	77	-	(48)	895
Short term provisions	180	(174)	-	-	6
Employee benefits	898	(201)	(317)	-	380
Losses	27	(27)	-	-	-
Deferred tax liability not recognised	(77)	77	-	-	-
	1,260	(7)	(317)	(346)	590

At the Statement of Financial Position date, the Group has unused capital losses in the UK of £Nil (2018: £Nil) available for offset against future chargeable gains. No deferred tax asset has been recognised in respect of this amount (2018: £Nil).

Notes to the financial statements *(continued)*

13. Inventories

	2019 £000	2018 £000
Raw materials and consumables	<u>3,497</u>	<u>155</u>

14. Trade and other receivables

	2019 £000	2018 £000
Amounts due from parent undertakings	1,220	1,220
Trade receivables	26,845	13,036
Amounts recoverable on contracts	-	772
Other receivables	5,538	149
Prepayments and accrued income	14,713	5,622
	<u>48,316</u>	<u>20,799</u>

15. Trade and other payables

	2019 £000	2018 £000
Amounts due to parent undertakings	3,679	2,719
Trade payables	14,832	5,872
Corporation tax liability	984	519
Deferred taxation	2,390	-
Taxation and social security	7,370	3,725
Other trade payables	2,380	-
Non-trade payables and accrued expenses and deferred income	16,078	10,643
	<u>47,713</u>	<u>23,478</u>

Notes to the financial statements (continued)

16. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to credit and liquidity risk, see note 20.

	2019 £000	2018 £000
Current liabilities		
Parent company loan	513	502
Interest on loans	971	218
Factoring facilities	757	-
Finance lease liabilities	5,705	3,596
	<u>7,946</u>	<u>4,316</u>
Non-current liabilities		
Loan notes	6,405	5,569
Interest bearing loans	78,179	10,246
Finance lease liabilities	6,943	3,197
Right to use asset liabilities	16,739	-
	<u>108,266</u>	<u>19,012</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2019			2018		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	6,195	490	5,705	3,829	233	3,596
Between one and five years	7,383	440	6,943	3,396	199	3,197
More than 5 years	-	-	-	-	-	-
	<u>13,578</u>	<u>930</u>	<u>12,648</u>	<u>7,225</u>	<u>432</u>	<u>6,793</u>

Loans analysis:

	2019				2018	
	Rate	Matures	Face value £000	Carrying value £000	Face value £000	Carrying value £000
Loan notes	15%	2023	2,953	6,405	2,953	5,569
Interest bearing loans	5%	2022	78,179	78,179	10,246	10,246
Parent company loan	Base + 2%	on demand	513	513	502	502
			<u>81,645</u>	<u>85,097</u>	<u>13,701</u>	<u>16,317</u>

The difference between the loan notes face and carrying value represents the interest accrued on these notes.

Notes to the financial statements (*continued*)

17. Employee benefits

Defined benefit plan – idverde Limited

The Group sponsors the Federated Pension Plan (FPP) which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for 16 active members, 21 deferred members and 19 pensioner members as at 5 April 2019. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and guidance notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that at least one third of all trustees should be nominated by the members.

The defined benefit scheme was established under an irrevocable Deed of Trust by idverde Limited for its employees and those of subsidiary undertakings. The Deed determines the appointment of trustees to the fund.

A full actuarial valuation was carried out as at 5 April 2019 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £241,000. The Group has agreed with the trustees that it will aim to eliminate the deficit over a period until 31 August 2022, being three years and five months from the valuation date, by the payment of annual contributions of £46,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the group has agreed with the trustees that it will pay 52.7% of pensionable earnings inclusive of member contributions and an allowance of 8.5% in respect of management and administration expenses. The Group will meet levies to the Pension Protection Fund in addition.

For the purposes of IAS19, the actuarial valuation as at 5 April 2019, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2019. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Defined benefit plan – Quadron Services Limited

The Group operates a defined contribution pension scheme for certain past employees and, for eligible employees, a scheme providing benefits based on final pensionable pay. The assets of the pension schemes are held separately from those of the company, being invested by an independent investment manager.

The Group's final salary pension scheme is now closed to new entrants. The total contributions per the schedule of contributions for the year ended 31 December 2019 were £353,000 (2018: £365,000). The group expects to continue to contribute to the schemes at similar levels next year. Outstanding contributions payable to the fund at the balance sheet date were £Nil (2018: £Nil).

The Group sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 192 past employees and 199 pensioners at 5 April 2019 (the date of the last triennial funding valuation). The level of retirement benefit is principally based on the highest annual average pensionable salary over 36 consecutive months in the ten years prior to retirement or withdrawal and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation.

Notes to the financial statements (continued)

17. Employee benefits (continued)

The defined benefit scheme was established under an irrevocable Deed of Trust by Quadron Services Limited for its employees and those of subsidiary undertakings. The Deed determines the appointment of trustees to the fund.

A full actuarial valuation was carried out as at 5 April 2019 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions.

This actuarial valuation showed a deficit of £2,682,000 (a reduction from £5,181,000 at the previous triennial valuation on 5 April 2016). The Trustee and the Employers have agreed a recovery plan in order to eliminate the deficit. Under the agreed plan, the Employers will pay contributions of £344,793 per annum from 6 April 2019 to 5 July 2020, increasing by 3% on 6 April 2020 plus £375,000 per annum from 6 July 2020 to 5 November 2024 increasing by 3% at each 6 April. In addition a sum of £250,000 to be paid in full by 5 April 2022. The additional sum may be payable in monthly instalments insofar as the full amount is paid by the due date.

Contributions to the defined benefit scheme are determined by a qualified actuary using the projected unit method. The full actuarial valuation for the scheme as a whole as at 5 April 2019 was updated to 31 December 2019 by a qualified actuary and showed that the market value of the scheme's assets was £20.7 million (2018: £17.7 million) and that the value of these assets represented 93% (2018: 89%) of the benefits that had accrued to members. The deficit is being reduced through additional contributions from the company.

For the purposes of IAS19 the actuarial valuation as at 5 April 2019, which was carried out by a qualified Independent actuary, has been updated on an approximate basis to 31 December 2019. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures except that mortality assumptions have been updated to the latest available data.

Amounts included in the statement of financial position

	2019			2018		
	idverde Limited £000	Quadron Services Limited £000	Total £000	idverde Limited £000	Quadron Services Limited £000	Total £000
Fair value of plan assets	2,885	20,651	23,536	2,437	17,703	20,140
Present value of defined benefit obligation	(2,742)	(22,303)	(25,045)	(2,449)	(19,841)	(22,290)
Net obligation	143	(1,652)	(1,509)	(12)	(2,138)	(2,150)

Notes to the financial statements (continued)

17. Employee benefits (continued)

Reconciliation of opening and closing present value of the defined benefit obligation

	2019			2018		
	idverde Limited £000	Quadron Services Limited £000	Total £000	idverde Limited £000	Quadron Services Limited £000	Total £000
Defined benefit obligation at the beginning of the year	2,449	19,841	22,290	2,590	22,635	25,225
Current service cost	99	578	677	122	-	122
Expenses	30	-	30	33	-	33
Interest expense	69	-	69	66	531	597
Contributions by plan participants	21	-	21	16	-	16
Past service costs	-	-	-	-	550	550
Actuarial (gains)/losses due to scheme experience	3	(116)	(113)	2	(210)	(208)
Actuarial (gains)/losses due to changes in financial assumptions	190	2,680	2,870	(255)	(2,502)	(2,757)
Benefits paid, death in service premiums and expenses	(94)	(488)	(582)	(88)	(1,025)	(1,113)
Actuarial (gains)/losses due to demographic assumptions	(25)	(192)	(217)	(37)	(138)	(175)
Present value of defined benefit obligation at end of year	2,742	22,303	25,045	2,449	19,841	22,290

There have been no plan amendments, curtailments or settlements in the year (2018: None).

Reconciliation of opening and closing values of the fair value of plan assets

	2019			2018		
	idverde Limited £000	Quadron Services Limited £000	Total £000	idverde Limited £000	Quadron Services Limited £000	Total £000
Fair value of plan assets at beginning of year	2,437	17,703	20,140	2,397	19,187	21,584
Interest income	70	520	590	61	452	513
Return on plan assets (excluding interest income)	257	2,689	2,946	(135)	(1,139)	(1,274)
Contributions by the Group	194	342	536	186	332	518
Contributions by plan participants	21	-	21	16	-	16
Benefits paid, death in service premiums and expenses	(94)	(603)	(697)	(88)	(1,129)	(1,217)
Fair value of plan assets at end of year	2,885	20,651	23,536	2,437	17,703	20,140

Notes to the financial statements (continued)

17. Employee benefits (continued)

The actuarial return on the plan assets over the year ended 31 December 2019 was £327,000 (2018: £74,000) for idverde Limited and £3,209,000 (2018: £687,000) for Quadron Services Limited.

Defined benefit costs recognised in profit or loss

	2019			2018		
	idverde Limited £000	Quadron Services Limited £000	Total £000	idverde Limited £000	Quadron Services Limited £000	Total £000
Current service cost	122	-	122	135	-	135
Expenses	33	115	148	38	104	142
Past service cost	-	-	-	-	550	550
Net interest income	5	58	63	15	79	94
Net obligation	160	173	333	188	733	921

Defined benefit costs recognised in other comprehensive income

	2019			2018		
	idverde Limited £000	Quadron Services Limited £000	Total £000	idverde Limited £000	Quadron Services Limited £000	Total £000
Return on plan assets (excluding amounts included in net interest cost)	257	2,689	2,946	(135)	(1,139)	(1,274)
Experience gains and losses arising on the defined benefit obligation gain/(loss)	(3)	-	(3)	(2)	210	208
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations gain/(loss)	25	-	25	37	138	175
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations gain/(loss)	(190)	(2,372)	(2,562)	255	2,502	2,757
Total amount recognised in other comprehensive income gain/(loss)	89	317	406	155	1,711	1,866

Notes to the financial statements (continued)

17. Employee benefits (continued)

Assets

	2019			2018		
	idverde Limited £000	Quadron Services Limited £000	Total £000	idverde Limited £000	Quadron Services Limited £000	Total £000
Equity	1,253	7,354	8,607	998	5,763	6,761
Bonds	626	2,863	3,489	499	3,068	3,567
Divested growth fund	-	10,165	10,165	-	8,598	8,598
Insurance policy	990	256	1,246	920	238	1,158
Cash	16	13	29	20	36	56
Net obligation	2,885	20,651	23,536	2,437	17,703	20,140

None of the fair values of the assets shown above include any direct investment in the Group's own financial instruments, or any property occupied by, or other assets used by, the Group. All of the scheme's assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

It is the policy of the Trustees and the Group to review the investment strategy at the time of each funding valuation. The Trustee's investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are illustrated by the asset allocation as at 31 December 2019.

There are no asset/liability matching strategies currently used by the plans.

Significant actuarial assumptions

	idverde Limited		Quadron Services Limited	
	2019 £000	2018 £000	2019 £000	2018 £000
Discount rate	2.10	2.80	2.05	2.95
Inflation (RPI)	2.82	3.25	3.05	3.25
Inflation (CPI)	2.02	2.25	2.05	2.25
Salary Growth	2.00	2.00	-	-
Allowance for revaluation of deferred pensions of RPI	2.82	3.25	-	-
Allowance for revaluation of deferred pensions of CPI	2.02	2.25	-	-
Allowance for pension in payment increase of RPI	2.82	3.25	2.95	3.10
Allowance for pension in payment increase of CPI	2.02	2.25	1.90	2.00
Allowance for commutation of pension for cash at retirement	100% of post a day	100% of post a day	100% of post a day	100% of post a day

Notes to the financial statements *(continued)*

17. Employee benefits *(continued)*

The mortality assumptions adopted at 31 December 2019 are 100% of the standard tables S2PxA (both idverde Limited and Quadron Services Limited), Year of Birth, no age rating for males and females, projected using CMI_2017 (both idverde Limited and Quadron Service Limited) converging to 125% pa (both idverde Limited and Quadron Services Limited). These imply the following life expectancies:

Life expectancy at age 65 years

	idverde Limited Years	Quadron Services Limited Years
Male retiring in 2019	21.8	21.8
Female retiring in 2019	23.6	24.1
Male retiring in 2039	23.1	23.2
Female retiring in 2039	25.2	25.5

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

idverde Limited	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% pa	Increase by 4.6%
Rate of inflation	Increase of 0.25%pa	Increase by 4.6%
Rate of salary growth	Increase of 0.25%pa	Increase by 1.1%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.3%
Quadron Services Limited	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% pa	Increase by 4.4%
Rate of inflation	Increase of 0.25%pa	Increase by 3.6%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.4%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth.

The average duration of the defined benefit obligation at 31 December 2019 is 19 years for idverde Limited and 18 years for Quadron Services Limited.

The plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future Income Statements. This effect would partially be offset by an increase in the value of the plan's bond holdings, and in qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Group to the plans for the period commencing 1 January 2020 is £619,000 (2018: 507,000).

Notes to the financial statements (continued)

18. Provisions

	Onerous contracts £000	Pensions £000	Other £000	Total £000
<i>Movement in provisions during the current year</i>				
Balance at 1 January 2019	2,113	-	-	2,113
Provisions reverse during the year	(1,278)	-	-	(1,278)
Balance at 31 December 2019	<u>835</u>	<u>-</u>	<u>-</u>	<u>835</u>
Non-current	835	-	-	835
Current	-	-	-	-
Balance at 31 December 2018	<u>835</u>	<u>-</u>	<u>-</u>	<u>835</u>
<i>Movement in provisions during the prior year</i>				
Balance at 1 January 2018	3,863	1,500	350	5,713
Provisions reverse during the year	(1,750)	(950)	(350)	(3,050)
Provisions used during the year	-	(550)	-	(550)
Balance at 31 December 2018	<u>2,113</u>	<u>-</u>	<u>-</u>	<u>2,113</u>
Non-current	1,186	-	-	1,186
Current	927	-	-	927
	<u>2,113</u>	<u>-</u>	<u>-</u>	<u>2,113</u>

Onerous contract provisions relate to a number of onerous contracts from existing contracts and those that have been identified following acquisitions undertaken by the Group. The pension provision related to the defined benefit pension liabilities that was recognised following acquisitions undertaken by the Group measured at its fair value. Other provisions related to a dispute against the escrow account following acquisitions undertaken by the Group.

The cash flows associated with the provisions above are expected to be settled between those due within one year and those due after one year and therefore classified as current and non-current.

19. Capital and reserves

Share capital	2019 £000	2018 £000
Alloted, called up and fully paid		
1,672,094,000 (2018: 1,672,094,000) ordinary shares of £0.01 each	<u>16,721</u>	<u>16,721</u>
Shares classified in shareholders' funds	<u>16,721</u>	<u>16,721</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes to the financial statements (continued)

20. Financial instruments

(a) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables.

The carrying amount of financial assets at the statement of financial position date was as follows:

	2019 £000	2018 £000
Trade and other receivables	48,316	20,799
Cash and cash equivalents	4,344	3,100
	52,660	23,899

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

	2019		2018	
	Gross £000	Net of impairment £000	Gross £000	Net of impairment £000
Not past due	16,708	16,682	9,783	9,783
Past due 0 - 30 days	5,192	5,192	1,849	1,849
Past due 30 - 120 days	2,701	2,701	917	917
Past due more than 120 days	3,548	2,270	637	487
	28,149	26,845	13,186	13,036

All other receivables are not past due (2018: not past due).

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019 £000	2018 £000
Opening balance	150	388
Acquired	1,154	-
Impairment loss reversed	-	(238)
	1,304	150

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Notes to the financial statements (continued)

20. Financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

idverde UK Limited, with the support of its parent and the Group's principal shareholder, actively maintains a mixture of long term and short term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

		2019				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Loan notes	6,405	6,405	-	-	6,405	-
Interest bearing loans	79,907	79,907	1,728	-	-	78,179
Parent company loans	513	513	513	-	-	-
Finance lease liabilities	12,648	12,648	6,195	4,129	2,324	-
Trade and other payables	47,713	47,713	47,713	-	-	-
	147,186	147,186	56,149	4,129	8,729	78,179

		2018				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Loan notes	5,569	5,569	-	-	5,569	-
Interest bearing loans	10,246	10,246	-	-	-	10,246
Parent company loans	502	502	502	-	-	-
Finance lease liabilities	7,225	7,225	3,329	2,507	1,389	-
Trade and other payables	23,478	23,478	23,478	-	-	-
	47,020	47,020	27,309	2,507	6,958	10,246

Notes to the financial statements (*continued*)

21. Capital commitments

At 31 December 2019, the Group had entered into contracts for the purchase of property, plant and equipment of £33,000 (2018: £3,209,000).

22. Contingencies

The Group has no material contingent liabilities as at the date of these financial statements.

23. Related parties

A loan from idverde SAS, the immediate parent company, accrues interest at 2% above base rate and is repayable on demand. As at 31 December 2019, the amount outstanding was £513,000 (2018: £502,000).

Another loan exists between idverde SAS and idverde Holdings Limited for a principal amount of £26,846,000 (2018: £10,246,000). The loan accrued interest at 8% per annum and is repayable in more than 5 years.

The loan notes between idverde SAS and idverde Holdings Limited for a principal amount of £2,953,000 (2018: £2,953,000) accrue interest at 15% per annum. As at 31 December 2019, the amount outstanding was £6,405,000 (2018: 5,569,000).

24. Ultimate parent company and parent company of larger group

The Company's immediate parent company is idverde SAS, a company incorporated in France.

At the year end, the largest group of undertakings for which group accounts are drawn up is Armorica Topco SCA, the ultimate parent company, registered in Luxembourg and controlled by Core Equity Holdings LP.

Notes to the financial statements (*continued*)

25. Impact of applying IFRS 16 - Leases

Lease accounting policy in 2018:

Agreements whose fulfilment depends on the use of one or more specific assets and which transfer the right to use the asset are classified as lease contracts. Lease contracts which transfer to the Group substantially all if the risks and rewards incidental to ownership of the asset are classified as finance leases.

Assets acquired under finance leases are recognised in property, plant and equipment against the corresponding debt recognised in borrowings for the same amount. The corresponding assets are depreciated over their useful economic life, or over the term of the lease, whichever is shorter.

Lease contracts that do not transfer substantially all of the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases are recognised in operating expenses on a straight line basis. This principle was amended as of 1 January 2018 according to IFRS 16.

Application of IFRS 16:

For most of the leases existing within the Group, first-time application of IFRS 16 effective as of 1 January 2019 has resulted in the recognition on the balance sheet of (i) a liability for future lease payments and (ii) a right-of-use asset. IFRS 16 has also led to the following changes in presentation:

- Balance sheet: the Group now presents right-of-use assets, non-current lease liabilities and current lease liabilities as separate line items.
- Consolidated income statement: the rental expense previously recognised within operating income as a component of external charges is now presented partly as depreciation expense and partly within financial expenses, in the cost of gross financial indebtedness.
- Consolidated cash flow statement: the rental payments previously presented in net cash flows from operating activities are now presented within net cash flows from financing activities to the extent that those payments are allocated to repayment of these liabilities.

The Group has elected the simplified retrospective method for first-time application of IFRS 16, which involves recognising a right-of-use asset equal to the amount of the lease liability. Under that method, comparative periods are not restated.

Consequently, for all leases other than those of low-value assets, a right-of-use asset was recognised on the balance sheet for an amount equal to the liability for future lease payments, adjusted by the amount of any prepaid or accrued lease payments.

The lease liability recognised as at 1 January 2019 has been discounted at an average incremental borrowing rate of 1%, reflecting the interest rate within recent leases entered into.

The Group has also applied the following practical expedients available under IFRS 16 at the transition date:

- initial direct costs have been excluded from the initial measurement of the right-of-use asset; &
- the carrying amount of the right-of-use asset has not been subject to impairment testing under IAS 39, because it is regarded as already having been tested as part of a review of onerous contracts conducted under IAS 37 at a close date to the date of first-time application.

Finally, the Group has not identified any material embedded leases within service contracts.

Notes to the financial statements *(continued)*

25 Impacts of applying IFRS 16 – Leases (continued)

Impact on financial statement at the transition date:

IFRS 16 impacts on the balance sheet as follows:

	2019 post-IFRS 16 £000	IFRS 16 impacts £000	2019 pre-IFRS 16 £000	2018 £000
Non-current assets				
Property, plant and equipment	24,248	-	24,248	12,857
Right to use assets	16,539	16,539	-	-
Intangible assets	86,283	-	86,283	34,581
Deferred tax assets	572	-	572	590
	127,642	16,539	111,103	48,028
Current assets				
Inventories	222	-	222	155
Trade and other receivables	48,316	-	48,316	20,799
Cash and cash equivalents	4,344	-	4,344	3,100
	52,882	-	52,882	24,054
Creditors - Amounts falling due within one year	(52,959)	-	(52,959)	(28,980)
Net current liabilities	(77)	-	(77)	(4,926)
Creditors - Amounts falling due after more than one year	(113,882)	(16,739)	(97,143)	(22,089)
Net assets	13,683	(200)	13,883	21,013
Equity				
Share capital	16,721	-	16,721	16,721
Share premium	15,837	-	15,837	15,837
Retained earnings	(15,600)	(200)	(15,400)	(11,545)
Total shareholders' funds	16,958	(200)	17,158	21,013

Notes to the financial statements *(continued)*

25 Impacts of applying IFRS 16 – Leases (continued)

Impact during 2019:

Movements of the right-of-use assets during the year can be shown as follows:

	Recognised at 1 Jan 2019 £000	New contracts £000	Depreciation £000	At 31 Dec 2019 £000
Right-of-use assets	13,050	8,505	(5,016)	16,539

The lease liability relating to right-of-use assets evolves during the year as follows:

	Recognised at 1 Jan 2019 £000	New contracts £000	Interest £000	Lease payments £000	At 31 Dec 2019 £000
Lease liability	13,050	8,505	161	(4,977)	16,739

The impact on the net result in the year can be disclosed as:

	Depreciation £000	Lease payments £000	Interest £000	Combined impact £000
Increase/(decrease) in net result	(5,016)	4,977	(161)	(200)

Company Balance Sheet
at 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Non-current assets			
Investments	30	16,740	16,740
Other receivables	31	51,765	-
		68,505	16,740
Current assets			
Trade and other receivables	31	2,684	2,740
Cash and cash equivalents		4	14
		2,688	2,754
Creditors - Amounts falling due within one year	32	(3,692)	(1,606)
Net current assets		(1,004)	1,148
Non-current liabilities			
Interest bearing loans	33	(51,765)	-
Net assets		15,736	17,888
Equity			
Share capital	34	16,721	16,721
Share premium		15,837	15,837
Retained earnings		(16,822)	(14,670)
Total shareholders' funds		15,736	17,888

The notes on pages 53 to 56 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 31 January 2021 and were signed on its behalf by:



J E Rhodes
Director

Company registered number: 06539986

Company Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	16,721	15,837	(13,637)	18,921
Total comprehensive income for the year				
Loss for the year	-	-	(1,033)	(1,033)
Total comprehensive income for the year	-	-	(1,033)	(1,033)
Balance at 31 December 2018	16,721	15,837	(14,670)	17,888
Balance at 1 January 2019	16,721	15,837	(14,670)	17,888
Total comprehensive income for the year				
Profit for the year	-	-	(2,152)	(2,152)
Total comprehensive income for the year	-	-	(2,152)	(2,152)
Balance at 31 December 2019	16,721	15,837	(16,822)	15,736

The notes on pages 53 to 56 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

26 Accounting policies

26.1 Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current year and prior period including the comparative period reconciliation for goodwill.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Judgements made by the directors, in the application of these accounting that have significant effect on the financial statements and estimates with a significant risk of material misstatement in the next year are discussed in note 27

26.2 Fixed asset investments

Fixed asset investments are recognised at cost less provision for impairment in value. The directors perform regular impairment reviews assessing the carrying value of the asset against the higher of the value in use and the net realisable value.

26.3 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the financial statements *(continued)*

26 Accounting policies *(continued)*

27.4 Financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

27.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

28 Significant accounting estimates and judgements

The preparation of the Parent Company financial statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The key judgement and estimate employed in the financial statements is:

Notes to the financial statements (continued)

Impairment of investment in subsidiary companies

The subsidiary companies' investment balances are held at cost less any impairment. An impairment exists when their recoverable amount is less than the cost of investment held in the accounts. There are a number of factors which could impact the recoverable amount which creates a risk of this recoverable amount being lower than the investment balance held. The discounted cash flows used align to those used in testing goodwill, please see note 10 in Group consolidated financial statements for more detail.

29 Profit for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company profit for the year includes a loss after tax of £2,152,000 (2018: £1,033,000) which is dealt with in the financial statements of the Parent Company.

30 Fixed asset investments

	Shares in Group undertakings £000
Cost and net book value:	
At beginning and end of year	<u>16,740</u>

Details of the Company's subsidiaries are disclosed in Note 11 of the Group Financial Statements.

31 Trade and other receivables

	2019 £000	2018 £000
Amounts due from Group undertakings	54,449	2,740
	<u>54,449</u>	<u>2,740</u>
Included within:		
Non-current assets	51,765	-
Current assets	2,684	2,740
	<u>54,449</u>	<u>2,740</u>

32 Creditors – amounts falling due within one year

	2019 £000	2018 £000
Amounts due to Group undertakings	2,208	1,104
Parent company loan	513	502
Accruals	971	
	<u>3,692</u>	<u>1,606</u>

Notes to the financial statements *(continued)*

33 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019 £000	2018 £000
Current liabilities		
Parent company loans	513	502
	<u>513</u>	<u>502</u>

The parent company loan accrued interest at Base +2% and is repayable on demand.

34 Deferred tax assets and liabilities

Unrecorded deferred tax assets and liabilities

At the Statement of Financial Position date, the Company has unused capital losses in the UK of £4,000 (2018: £4,000) available for offset against future chargeable gains. No deferred tax asset has been recognised in respect of this amount.

35 Capital and reserves

	2019 £000	2018 £000
Share capital		
<i>Allotted, called up and fully paid</i>		
1,672,094,000 ordinary shares of 0.01 each	<u>16,721</u>	<u>16,721</u>
Shares classified in shareholders' funds	<u>16,721</u>	<u>16,721</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

36 Related parties

During the year, the Company entered into transactions in the ordinary course of business with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

37 Events after the end of the reporting period

At the time of signing the accounts the directors are aware of the potential economic and social effects of the COVID-19 virus outbreak. The full impact of the pandemic on the UK economy is yet to be seen, but the Group will continue to mitigate the risk by following the UK Government's guidelines and adapting/developing its own internal strategy.