K & T Heating Services Limited

Annual Report and Financial Statements
Registered number 05158607

30 September 2018

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K & T HEATING SERVICES LIMITED

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K & T HEATING SERVICES LIMITED

COMPANY INFORMATION

Directors

J Charlton
J W Day
D Greenfield
M McMahon

Secretary and registered office

J Charlton
Unit 1 Yardley Business Park
Luckyn Lane
Basildon
Essex
England
SS14 3BZ

Auditor

RSM UK Audit LLP
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Bankers

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Company registration number

05158607

K & T HEATING SERVICES LIMITED

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 September 2018 and have complied with s414c of the Companies Act 2006.

Principal activity

The principal activity of the Company continued to be that of plumbing and heating engineers.

Key strategy

Our core strategy is to achieve turnover and profit growth through winning new contracts and by offering a high quality service and from benefiting from the strategic advantages of being part of a larger group.

The Directors believe that the following factors comprise the significant influences on the Company's strategy:

Regulatory requirements: social landlords are subject to obligations to protect the tenants residing in their properties such as maintenance of gas boilers (Gas Safety (Installation and Use) Regulations 1998 Approved Code of Practice and Guidance).

Mix of work: the Company will typically secure a planned service contract to satisfy specified regulatory obligations for its client. This may, in turn, lead to further work in responsive repairs, installations and other capital upgrade projects that may constitute incremental revenue.

Seasonal influences in the gas market: the Company is subject to seasonal influences primarily in relation to gas services. Activity levels tend to be higher in colder weather periods, leading to higher working capital requirements and lower profitability in winter, and the opposite in the summer.

Reliability and performance of service: in light of the regulatory obligations serviced by the Company, there is a high reliance placed by clients on the quality and reliability of service as a problem, such as the failure of a gas heating system, can have serious repercussions. The Company prioritises service reliability over profitability, which involves the periodic use of more expensive sub-contractors to maintain service during busy spells, especially during the mobilisation of new contract

Future developments

The Directors continue to believe that the market in which the Company operates will continue to provide opportunities for further growth.

The Directors believe that the outlook for the Company is positive and with the continued investment in the business, providing a high quality service to our clients, and by continuing to work closely with our customers the business will continue to be successful.

The Sureserve Group gas businesses are in the process of moving to an operational platform in line with each other. The Directors believe this will offer better internal comparability of performance and benchmarking, to allow the business to continue to improve the service performance to clients.

Business review

The Company has had a highly successful year. In its biggest win, the London Borough of Havering appointed it to carry out a three-year programme of domestic gas services and associated work, including testing, servicing and repairing gas appliances, central heating systems and more. The programme is worth £9 million, and includes an option to extend for a further two years.

In a £4.25million award, Guildford Borough Council has appointed K&T Heating to carry out a range of domestic gas servicing and repair activities over a five-year programme that includes gas safety checks and servicing, checking and maintaining air source heat pump systems, solar thermal installations and other works. The company has also won a one-year contract worth £2 million to install domestic heating and hot water systems for the Metropolitan Thames Valley Housing Association. These wins have seen a significant growth to K&T revenues compared to 2017, and the positive performance of the business is anticipated to continue going forward.

Turnover increased from £22.2million in the year ended 30 September 2017 to £30.2million for the year ended 30 September 2018.

The profit on ordinary activities before taxation decreased from £1.3million in the year ended 30 September 2017 to £1.0million for the year ended 30 September 2018. We look to maintain the highest standard of service and as such, the costs of mobilisation of new contracts in the year offset profit brought by the additional revenues.

The net assets of the Company increased by £0.8million in the year to £2.6million (2017: £1.8million). This was due to the profit made in the year. Company had net current assets of £2.3million (2017: £1.5million).

STRATEGIC REPORT (continued)

Key financial performance indicators

The Company's key performance indicators ("KPIs") include:

Description	2018	2017
Revenue	£30.2 million	£22.2 million
Profit on ordinary activities before tax	£1.0 million	£1.3 million

Principal risks and uncertainties

The nature of the Company's business is such that its revenues are concentrated on a relatively small number of local authority and social housing clients. The Company mitigates this risk by ensuring that it maintains a strong relationship with its clients whilst, at the same time, seeks to add further long term contracts that will provide security of future income.

The key risks to the Company are the following:

- Changes in market led price competition
- Change in economic conditions
- Reduction in public sector expenditure
- Supply chain risks
- Prolonged periods of cold weather
- A major Health and Safety issue

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation of the ultimate parent company, which do not differ materially from those of the Company, were disclosed on pages 22 to 25 of the Sureserve Group plc (formerly known as Lakehouse plc) Annual Report for the year ended 30 September 2018, which can be found at https://www.SureserveGroup.co.uk/investors/results-and-presentations.

Employees

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retaining of employees who become disabled while employed by the Company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the Company.

The flow of information to staff has been maintained through our staff newsletters. The directors regularly meet with groups of employees and discuss company strategy and any issue affecting the Company.

The board would like to express its appreciation to all its employees for their commitment and hard work.

Signed by order of the directors

J Charlton
Secretary

Unit 1 Yardley Business Park
Luckyn Lane
Basildon
Essex
England
SS14 3BZ

17 April 2019

K & T HEATING SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2018.

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments, employee consultation and disclosure concerning employment of disabled persons.

Directors and directors' interests

The directors who held office during the period were as follows:

J W Day	
D Greenfield	
J J C Simpson	*(resigned 18 October 2018)*
M McMahon	
J Charlton	*(appointed 12 December 2018)*

None of the directors who held office at the end of the financial period had any interests in the ordinary shares of the Company.

Disclosure of information to auditor

The directors who held office at the date of the 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' indemnity

The Company provides, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities that may incur in the discharge of their duties or in the exercise of their power, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Future developments and events after the balance sheet date

Details of future developments can be found in strategic report on page 2, there are no significant events since the balance sheet date that require disclosure or adjustment.

Financial risk management objectives and policies

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company does not enter into derivatives to manage its credit risk.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of the financial assets in the statement of financial position.

There has been a minimal history of bad debts as the majority of its sales are to local government councils and housing trust partnerships and as a consequence, the directors do not consider that the Company has a material exposure to credit risk.

Market risk
As the Company only operates in the UK and only transacts in Sterling, the Company's activities expose it primarily to the financial risks of changes in interest rates only.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Sureserve Group plc Board, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company's policy on liquidity is to ensure that there are sufficient committed borrowing facilities to meet the Company's long to medium-term funding requirements.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities

Dividends

Dividends paid on ordinary shares for the year amounted to £nil (2017: £1,500,000).

DIRECTORS' REPORT (continued)

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Auditor

RSM UK Audit LLP has indicated its willingness to be reappointed for another term. A resolution to re-appoint RSM UK Audit LLP as auditor will be proposed at the Annual General Meeting.

Signed by order of the directors

J Charlton
Secretary

Unit 1 Yardley Business Park
Luckyn Lane
Basildon
Essex
England
SS14 3BZ

17 April 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework ('FRS 101').

Under company law the directors must not approve the Financial Statements unless they are satisfied that they; give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether Applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

K & T HEATING SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF K & T HEATING SERVICES LIMITED

Opinion

We have audited the financial statements of K & T Heating Services Limited (the 'company') for the year ended 30 September 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF K & T HEATING SERVICES LIMITED *(continued)*

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

David Olsson (Senior Statutory Auditor)

For and on behalf RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP
23 April 2019

K & T HEATING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2018

	Notes	2018	2017
		£	£
Turnover	3	**30,183,037**	22,237,361
Cost of sales		**(25,349,538)**	(18,144,373)
Gross profit		**4,833,499**	4,092,988
Other operating expenses		**(3,799,683)**	(2,836,462)
Operating profit		**1,033,816**	1,256,526
Interest payable	4	**-**	(3,000)
Profit on ordinary activities before taxation	5	**1,033,816**	1,253,526
Tax on profits on ordinary activities	8	**(198,887)**	(249,824)
Profit on ordinary activities after taxation and total comprehensive income attributable to the owners of the Company		**834,929**	1,003,702

All of the activities of the Company are classed as continuing

The notes on pages 12 to 21 form part of these financial statements

K & T HEATING SERVICES LIMITED

BALANCE SHEET
At 30 September 2018

	Notes	2018	2017
		£	£
Fixed assets			
Tangible assets	10	**321,512**	270,522
Current assets			
Stocks	11	**207,350**	63,334
Debtors - due within one year	12	**5,194,332**	5,226,322
Cash at bank and in hand		**1,832,700**	958,969
		7,234,382	6,248,625
Creditors: amounts falling due within one year	14	**(4,970,550)**	(4,768,732)
Net current assets		**2,263,832**	1,479,893
Net assets		**2,585,344**	1,750,415
Capital and reserves			
Called up share capital	15	**5,000**	5,000
Capital contribution		**19,317**	19,317
Profit and loss account		**2,561,027**	1,726,098
Equity shareholders' funds		**2,585,344**	1,750,415

The financial statements of K & T Heating Services Limited (registered number 05158607) were approved by the board of directors and authorised for issue on 17 April 2019. They were signed on its behalf by:

M McMahon
Director

The notes on pages 12 to 21 form part of these financial statements

K & T HEATING SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2018

	Called up share capital	Capital Contribution	Profit and loss account	Total
	£	£	£	£
Balance at 1 October 2016	5,000	19,317	2,222,396	2,246,713
Profit for the year and total comprehensive income for the year	-	-	1,003,702	1,003,702
Equity dividends paid (note 9)	-	-	(1,500,000)	(1,500,000)
Balance at 30 September 2017	5,000	19,317	1,726,098	1,750,415
Profit for the year and total comprehensive income for the year	-	-	**834,929**	**834,929**
Balance at 30 September 2018	**5,000**	**19,317**	**2,561,027**	**2,585,344**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

K&T Heating Services Limited is a private company limited by shares and incorporated in the England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 and 3.

The prior period results relate to the year ended 30 September 2017.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out 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 and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS") amended where necessary in order to comply with the Companies Act 2006.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Sureserve Group plc. These financial statements are available to the public and can be obtained as set out in note 18.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors regard the foreseeable future as no less than twelve months following publication of its annual financial statements, so in practical terms, nineteen months from the balance sheet date. The Directors have considered the Company's working capital forecasts and projections, taking account of reasonably possible changes in trading performance and the current state of its operating market, and are satisfied that the Company should be able to operate within the level of its current facilities and in compliance with the covenants arising from those facilities. Accordingly, they have adopted the going concern basis in preparing the financial information.

Turnover

Turnover and profit are recognised as follows:

(a) Service contracts

Turnover is recognised when the outcome of a job or contract can be estimated reliably; turnover associated with the transaction is recognised by reference to the stage of completion of work at the balance sheet date. The outcome of the transaction is deemed to be able to be estimated reliably when all of the following conditions are satisfied:

- The amount of turnover can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company has recognised turnover dependent on the nature of transactions in line with IAS 18 '*Revenue*'. There are a range of contractual arrangements that require consideration:

(i) Schedule of Rates ("SOR") contracts

SOR contracts are set based on predetermined rates for a list of services and duties required by the customer. The billing arrangements can range from an all-encompassing price for each direct works, including an element of local site overhead, central overhead and associated profit; to the price of the direct works alone, with (where relevant) a separately agreed annual fee for local site and central overheads. The quantum of work performed in each period is captured and valued either against the agreed contract terms or with reference to costs incurred to date as a percentage of total expected costs, and the resulting turnover is recognised.

(ii) Fixed price (or lump sum) service contracts

Certain contracts, in particular for gas servicing and maintenance, are procured on a fixed price basis. Turnover for maintenance/reactive activities is recognised on a straight line basis over the life of the contract. Turnover for servicing activities is recognised when the service is performed; however when it is impractical for the customer and householder to sign off every job sheet, turnover is recognised on a straight line basis. Where the contract contains servicing and maintenance/reactive elements and the turnover cannot be split reliably between each element of the contract, it is recognised on a basis that most closely reflects the phasing of the servicing provision. Costs are recognised as incurred.

1. Accounting policies (continued)

Turnover (continued)

(b) Other income

(i) Contract variations

Margin associated with contract variations is only recognised when the outcome of the contract negotiations can be reliably estimated. Costs relating to contract variations are recognised as incurred. Turnover is recognised up to the level of the costs which are deemed to be recoverable under the contract.

(ii) Preliminaries income and pre-contract costs

All costs relating to pre-commencement and mobilisation are written off as they are incurred. However where there is a contracted element within the preliminaries income to cover such costs, turnover and margin can be recognised in line with the contractual terms.

During the current and prior year the main stream of turnover was generated from Schedule of Rates contracts.

Tangible fixed assets and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated so as to write off the cost of a tangible asset, less its estimated residual value, over the estimated useful economic life of that asset on the bases set out below:

Short leasehold land and buildings	-	over the term of the lease
Plant & machinery	-	20% per annum on a straight line basis
Fixtures & fittings	-	15% to 33% per annum on a straight line basis

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads which have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made, where appropriate, to reduce the value of inventory to its net realisable value.

Operating leases

Amounts due under operating leases are charged to the profit and loss account in equal annual installments over the period of the lease.

Pension costs

The Company contributes to the personal pension plans of certain employees of the Company. The assets of these schemes are held in independently administered funds. The pension cost charged in the financial statements represents the contributions payable by the group in accordance with IAS 19.

1. **Accounting policies** (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates prevailing in the year.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

a) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade receivables do not carry any interest and are stated at their initial value reduced by appropriate allowances for estimated irrecoverable amounts. Provisions against trade receivables and amounts recoverable on contracts are made when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. Individually significant balances are reviewed separately for impairment based on the credit terms agreed with the customer. Other balances are reviewed in aggregate.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

c) Trade and other payables

Trade and other payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

d) Bank and other borrowings

Interest-bearing bank and other loans are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for at amortised cost and on an accruals basis in the profit and loss account using the effective interest method. Interest is added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

e) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

2. Critical accounting judgements and key sources of uncertainty

Sources of estimation uncertainty

The preparation of the financial statements requires the Company to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The 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 if the revision affects only that period, or if the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period.

Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

The Directors believe the following to be the key areas of estimation and judgement:

(i) Turnover and profit recognition

As described in the turnover accounting policy section on pages 12 and 13 service provision contracts require judgments and estimates to be made to determine the expected outcome for the individual contract.

(ii) Useful economic lives of tangible assets

Certain tangible assets are depreciated over their useful economic lives. This is an estimate based on management's knowledge and experience of the assets involved.

The group did not in the period make any critical accounting judgements, other than the estimates involving judgment set out above within key sources of estimation and uncertainty.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

3. Turnover

The total turnover of the Company for the period has been derived from its principal activity plumbing and heating engineers wholly undertaken in the United Kingdom.

4. Interest

	2018	2017
	£	£
Interest payable:		
Other interest	-	3,000

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	2018 £	2017 £
Amount of stock recognised as an expense	**8,115,619**	5,521,691
Depreciation of owned tangible fixed assets (note 10)	**72,006**	54,300
Auditor's remuneration:		
Audit fees	**16,500**	15,000
Directors' remuneration and other benefits (note 6)	**322,128**	346,069
Operating lease rentals:		
Land and buildings	**60,000**	60,000
Plant and machinery	**687,652**	611,726
Group management fees payable	**1,032,113**	558,648

6. Directors' remuneration and transactions

Directors' emoluments	2018 £	2017 £
Directors' emoluments	**307,541**	321,881
Pension contributions	**24,187**	24,188
	331,728	346,069
Emoluments of highest paid director		
Total emoluments (excluding pension contributions)	**203,046**	166,928
Pension contribution	**14,587**	14,588
	217,633	181,516
Number of directors accruing benefits under the company pension schemes	**No.**	**No.**
Defined contribution money purchase schemes	**2**	2

7. Staff numbers and costs

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

	2018 No.	2017 No.
Directors	**2**	2
Office and administration	**73**	45
Direct labour	**205**	167
	280	214

The aggregate payroll costs of these persons were as follows:	2018 £	2017 £
Wages and salaries	**10,966,513**	8,245,775
Social security costs	**1,254,491**	858,822
Other pension costs	**163,178**	53,557
	12,384,182	9,158,154

The Company contributes to the personal pension plans of certain employees of the Company. The assets of these schemes are held in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £163,178 (2017: £53,557).

Contributions of £32,613 were outstanding at the balance sheet date (2017: £15,925) and are included within other creditors.

8. Tax on profit on ordinary activities

Analysis of tax charge in the year:

UK Corporation tax	2018 £	2017 £
Current tax on income for the year	**226,706**	248,681
Adjustment in respect of prior year	**(21,496)**	-
	205,210	248,681
Deferred tax:		
Origination/reversal of timing differences (note 13)	**(6,323)**	1,143
Total tax on profit on ordinary activities	**198,887**	249,824

The tax charge for the year can be reconciled to the profit and loss account as follows:

UK Corporation tax	2018 £	2017 £
Profit on ordinary activities before taxation	**1,033,816**	1,253,526
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.5%)	**196,425**	244,420
Effect of:		
Expenses not deductible for tax purposes	**28,889**	5,184
Adjustment in respect of prior year - Current tax	**(21,496)**	-
Adjustment in respect of prior year - Deferred tax	**(5,078)**	338
Other	**147**	(118)
Total tax charge for year	**198,887**	249,824

Factors that may affect future charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the statement of financial position date.

The closing deferred tax asset at 30 September 2018 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

9. Dividends

	2018	2017
	£	£
Equity dividends paid of £nil (2017: £300) per ordinary share	-	1,500,000

10. Tangible fixed assets

	Short leasehold property	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£
Cost				
At 1 October 2017	221,277	311,932	158,812	692,021
Additions	31,306	83,935	7,755	122,996
At 30 September 2018	**252,583**	**395,867**	**166,567**	**815,017**
Depreciation				
At 1 October 2017	51,757	235,761	133,981	421,499
Charge for the year	27,489	33,682	10,835	72,006
At 30 September 2018	**79,246**	**269,443**	**144,816**	**493,505**
Net book value				
At 30 September 2018	**173,337**	**126,424**	**21,751**	**321,512**
At 30 September 2017	169,520	76,171	24,831	270,522

11. Stocks

	2018	2017
	£	£
Consumables	**207,350**	63,334

12. Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	**3,018,461**	3,175,472
Amounts owed by group undertakings	**57,363**	93,853
Other debtors	**933,091**	501,591
Deferred tax	**32,715**	26,392
Prepayments and accrued income	**1,152,702**	1,429,014
	5,194,332	5,226,322

13. Deferred taxation

	2018	2017
	£	£
The deferred taxation included in the Balance Sheet is as follows:		
Included in debtors (note 12)	**32,715**	26,392
The movement in the deferred tax account during the period was:		
Balance brought forward	**26,392**	27,535
Profit and loss account movement arising during the period (note 8)	**6,323**	(1,143)
	32,715	26,392
The balance on the deferred taxation account consists of the tax effect of timing differences in respect of:		
Accelerated capital allowances	**31,155**	23,685
Short term timing differences	**1,560**	2,707
	32,715	26,392

14. Creditors – amounts falling due within one year

	2018	2017
	£	£
Trade creditors	**3,267,003**	2,910,230
Amounts owed to group undertakings	**35,516**	531,269
Corporation tax	**205,210**	248,681
Other taxation and social security	**741,506**	739,144
Accruals and deferred income	**582,352**	236,663
Other creditors	**138,963**	102,745
	4,970,550	4,768,732

15. Called up share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
5,000 (2017: 5,000) Ordinary shares of £1 each	**5,000**	5,000

16. Financial commitments

There were no capital commitments contracted but not provided for in the year (2017: none).

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

	2018		2017	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Within one year	**60,000**	**669,263**	60,000	620,238
Between two and five years	**60,000**	**450,739**	120,000	723,747
	120,000	**1,120,002**	180,000	1,343,985

Operating lease payments represent rentals payable by the Company for its properties and equipment. For property, leases are negotiated for an average term of five years and rentals are fixed for an average of five years, with an option to extend for a further period at the then prevailing market rate. For equipment, leases are negotiated for a term of between three and four years and on completion the equipment is returned to the lessor.

17. Guarantees

There is a charge over all of the company's assets in respect of continuing security for the Group's obligations to pay under the Group's £25m Revolving Credit Facility with RBS.

18. Ultimate control

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is Sureserve Group plc, a company incorporated in Great Britain. The parent undertaking of the largest and smallest group, which includes the company and for which group accounts are prepared is Sureserve Group plc.

Copies of the group financial statements of Sureserve Group plc, can be obtained from the Company Secretary, Sureserve Group plc, Unit 1 Yardley Business Park, Luckyn Lane, Basildon, Essex, SS14 3BZ or they are available at www.SureserveGroup.co.uk.