Registered No: 01888801

# Axis Cleaning and Support Services Limited

**Report and Financial Statements for the year ended**

31 March 2019

Registered No: 01888801

**Directors**
J Levine
S Giles

**Secretary**
S Giles

**Independent auditors**
RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

**Bankers**
Lloyds Bank Plc
24 Broad Street
Reading
Berkshire, RG1 2BT

**Registered office**
Ground Floor Suite
River House
Maidstone Road
Sidcup
Kent DA14 5RH

# Strategic report for the year ended 31 March 2019

The directors present the Strategic Report for the financial year ended 31 March 2019.

**Results and dividends**

The directors are very positive about the financial result achieved in the year to 31 March 2019, as both turnover and underlying EBITDA grew significantly in the year. The turnover reflects the underlying growth in the portfolio, which on an annualised contract value basis, has grown by £2,697,000 in the year, a growth of 16% from the start of the financial year.

The directors do not recommend the payment of a dividend (year ended 31 March 2018: £nil). The net liabilities as at 31 March 2019 are £945,000 (2018: £1,293,000).

**Review of the business and future plans**

The long-term strategy of the business is to grow organically through a focus on both people – internally and through building customer relationships, as well as delivering excellent customer service standards. It can be noted that this strategy is delivering value, as there has been a net increase in the portfolio of 16% over the financial year. What the directors are especially encouraged by is that the growth in portfolio is 7% higher than the 9% achieved in the previous financial year – validating the underlying strategy.

The business operates nationally, and the growth in the portfolio has been across all geographical regions and business types demonstrating the high standards the business is able to deliver to all market segments.

The directors are very mindful that there are pressures in the underlying cost base of the cleaning industry, especially in relation to personnel costs with the national living wage continuing to rise and the resulting increase in associated labour costs such as pension, national insurance and apprenticeship levy. In order therefore to try and keep all price increases for customers to a minimum as a result of these pressures the business is also following a strategy of driving efficiency and utilising technology wherever possible.

Looking ahead the business is also focussed on driving both sustainability and innovation to not only be more corporately environmentally sensitive, but to also help customers achieve their own goals in this area.

The business has also managed to take a significant step forward this financial year in our own social responsibility with the business not only being the main corporate partner of toilettwinning,org, a charity dedicated to improving sanitary standards in the developing world and the educational benefits this brings to children, but also we have made one of our customers - Great Ormond Street Hospital – our corporate charity. The directors are delighted that these initiatives will be continuing for the coming financial year.

# Strategic report for the year ended 31 March 2019 (continued)

The company measures its success through monitoring key performance indicators, these include: revenue growth, gross profit margin, EBITDA % and debtor days.

| | Year ended 31/3/2019 | Year ended 31/3/2018 | Comment |
|---|---|---|---|
| Turnover growth | 9% | (1%) | The growth in turnover is driven by the commercial team having had a very successful year in terms of winning new contracts. |
| Gross profit % | 19% | 20% | Margins remain challenging in the market against a backdrop of increasing employee related costs, however the directors are encouraged at maintaining the GP at this level. |
| EBITDA % | 5% | 3% | EBITDA has grown over the year as a result of the significant turnover growth combined with strong cost management. |
| Debtor Days | 48 | 43 | The company continues to focus on cash collection and 48 days is well within the bank covenants. |

**Principal risks and uncertainties**

**Economic risk**

The economic downturn has a greater impact on certain market sectors, affecting some of our clients more than others; our major costs are variable and we are able to respond and adapt to meet our clients' needs.

The directors have considered and will continue to monitor the economic and financial effects resulting from the EU referendum.

**Financial risk management objective and policies**

The company's activities expose it to a limited number of financial risks. The company aims to manage these risks on a day to day basis.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximize interest income and minimize interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. Regular cash flow forecasts are prepared to monitor and forecast working capital.

Interest rate risk

The company entered into a new fixed banking agreement in October 2018 and through this has mitigated any interest rate risk.

Credit risk

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verifications procedures. Trade debtors and retentions are reviewed on a regular basis and provision is made for doubtful debts where necessary.

# Strategic report for the year ended 31 March 2019 (continued)

**Health and safety**

Health & safety is a major area of concern for our employees, clients and members of the public. The company has a dedicated health & safety department which reviews and monitors this area of risk.

**Key customers**

Whilst the company has a variety of major contracts, none are considered material in respect of revenue. However, since clients are key to continuing growth, there is a strong management structure in place, incorporating key account managers for major contracts.

**Going concern**

The company is part of the wider Axis Group Integrated Services Limited group which meets its day-to-day working capital requirements through close management of group cash flows and an invoice discounting facility. The group undertook a refinancing deal with PNC Financial Services UK Limited which was effective from 6 December 2018 increasing the group's facilities to £14m. The group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the group, and therefore the company, is able to operate within the level of its facilities and other sources of finance that are available to them. The directors, having considered this and the financial position of the company, have a reasonable expectation that the company will continue in operational existence and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Staff policies**

Employment policies do not discriminate between employees or potential employees on the grounds of disability. The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly so that their views can be taken into account when making decisions that are likely to affect their interests. A share option plan for the non-shareholder senior management team is in place within the group, to help incentivise relevant staff to deliver the key objectives of the group over the coming years.

**Disabled employees**

We consider all disabled people applying for employment on the basis of their aptitudes and abilities. Our employment policy provides that existing employees who become disabled will have the opportunity to retrain where necessary and to continue in employment.

On behalf of the Board

S Giles
Director
Date: 16/7/19

**Registered No: 01888801**

# Directors' report for the year ended 31 March 2019

The directors present their report for the financial year ended 31 March 2019.

**Principal activity**

The principal activity of the company is that of the provision of cleaning services.

**Directors and company secretary**

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

J Levine
S Giles

**Directors' liabilities**

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remained in force during the year and at the date of approving the directors' report.

**Strategic report**

Information, such as future plans, events and policies on staff and disabled persons are not included within the Directors' Report but have instead been shown within the Strategic Report on pages 2 to 4 under S414c (11).

**Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

**Independent auditors**

The auditors, RSM UK Audit LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board

S Giles
Director

Date: 16/7/19.

**Registered No: 01888801**

# Statement of directors' responsibilities for the year ended 31 March 2019

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditor's report to the members of Axis Cleaning and Support Services Limited

**Our opinion**

We have audited the financial statements of Axis Cleaning and Support Services Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Total Comprehensive Income, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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 Axis Cleaning and Support 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 or 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

RICHARD COATES (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

Date: 16 July 2019

# Statement of total comprehensive income

**For the year ended 31 March 2019**

| | Note | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|---|
| **Turnover** | 5 | 19,822 | 18,167 |
| Cost of sales | | (16,132) | (14,486) |
| **Gross profit** | | 3,690 | 3,681 |
| Administrative expenses | | (3,115) | (412) |
| EBITDA | | 1,017 | 600 |
| Depreciation | 6 | (315) | (267) |
| Amortisation of goodwill | 6 | (127) | (127) |
| Operating profit before exceptional items | | 575 | 206 |
| Exceptional items | 6 | - | 3,063 |
| **Operating profit** | 6 | 575 | 3,269 |
| Interest payable and similar charges | 9 | (155) | (160) |
| **Profit before taxation** | | 420 | 3,109 |
| Taxation | 10 | (72) | (95) |
| **Profit for the year and total comprehensive income** | | 348 | 3,014 |

# Balance sheet

**As at 31 March 2019**

| | Note | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 11 | 1,390 | 1,517 |
| Tangible assets | 12 | 822 | 709 |
| Investments | 13 | - | - |
| | | **2,212** | **2,226** |
| **Current assets** | | | |
| Inventories | 14 | 20 | 17 |
| Debtors | 15 | 7,573 | 6,676 |
| Cash at bank and in hand | | 38 | 20 |
| | | **7,631** | **6,713** |
| Creditors: amounts falling due within one year | 16 | (10,319) | (9,779) |
| **Net current liabilities** | | **(2,688)** | **(3,066)** |
| **Total assets less current liabilities** | | **(476)** | **(840)** |
| Creditors: amounts falling due after more than one year | 17 | (469) | (453) |
| **Net liabilities** | | **(945)** | **(1,293)** |
| **Capital and reserves** | | | |
| Called up share capital | 19 | - | - |
| Accumulated losses | 20 | (945) | (1,293) |
| **Total equity** | | **(945)** | **(1,293)** |

The notes on pages 12 to 25 are an integral part of these financial statements.

The financial statements of Axis Cleaning and Support Services Limited on pages 9 to 25 were authorised for issue by the Board of Directors and were signed on its behalf by:

S.G

S Giles

Director

Date: 16/7/19

**Registered number: 01888801**

# Statement of changes in equity

**For the year ended 31 March 2019**

| | Called up share capital £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|---|---|---|
| At 1 April 2017 | - | (4,307) | (4,307) |
| Profit for the financial year | - | 3,014 | 3,014 |
| Total comprehensive profit for the financial year | - | 3,014 | 3,014 |
| **At 31 March 2018** | - | **(1,293)** | **(1,293)** |

| | Called up share capital £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|---|---|---|
| At 1 April 2018 | - | (1,293) | (1,293) |
| Profit for the financial year | - | 348 | 348 |
| Total comprehensive income for the financial year | - | 348 | 348 |
| **At 31 March 2019** | - | **(945)** | **(945)** |

# Notes to the financial statements

**For the year ended 31 March 2019**

1. **General information**

Axis Cleaning and Support Services Limited provides a facility service to clients with its core expertise being cleaning.

The company is a private company limited by shares which is registered, domiciled and incorporated in England & Wales. Its registered address is Ground Floor Suite, River House, Maidstone Road, Sidcup, DA14 5RH.

2. **Statement of compliance**

The financial statements of Axis Cleaning and Support Services Limited have been prepared in compliance with UK accounting standards, including Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are reported to the nearest £'000.

3. **Summary of significant accounting policies**

The principle accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated.

**Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention.

The preparation of these financial statements has required the use of certain accounting estimates along with management exercising their judgement in the process of applying the company accounting policies.

**Going concern**

The company is part of the wider Axis Group Integrated Services Limited group which meets its day-to-day working capital requirements through close management of group cash flows and an invoice discounting facility.

The group undertook a refinancing deal with PNC Financial Services UK Limited which was effective from 6 December 2018 increasing the group's facilities to £14m. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the level of its new facilities and other sources of finance that are available to them.

The directors, having considered this and the financial position of the group, have a reasonable expectation that the company will continue in operational existence and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Exemptions under FRS 102**

In accordance with FRS 102, the company has taken advantage of the following exemptions from the following disclosure requirements:

- The requirements of Section 4 Statement of Financial Position paragraph 4.12(c) (iv).
- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statements presentation paragraph 3.17(d).
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.
- The requirements of Section 11 paragraph 11.39 to 11.48(1A) and Section 12 paragraph 12.26 to 12.29(a) provided the equivalent disclosure required by the FRS is included in the consolidated financial statements of the group into which this entity is consolidated.

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

3. **Summary of significant accounting policies (continued)**

**Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT.

The following criteria must also be met before revenue is recognised:

*Rendering of services*

Revenue from cleaning services is recognised by reference to contractual commitments with customers and labour hours incurred. Revenue not recognised immediately under this policy is classified as deferred income in the balance sheet until the relevant performance criteria have been met. Accrued income is recognised when work has been fully completed by the year end but has yet to be invoiced. Provision is made for any foreseeable losses where appropriate.

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

**Current taxation**

Current taxation is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or the right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

**Exceptional items**

Exceptional items are non-recurring material items which are outside the normal scope of the company's ordinary activities. Such items are disclosed separately within the profit and loss account to provide further understanding of the financial performance of the company.

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (continued)

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The carrying values of tangible fixed assets are reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

| | | |
|---|---|---|
| Leasehold properties | – | Straight line over the life of the lease |
| Plant and machinery | – | 25% straight line |
| Fixtures, fittings and equipment | – | 20% straight line |
| Motor vehicles | – | 25% straight line |

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to the profit and loss account.

### Goodwill

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair value to the company's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill arising on acquisition is allocated to cash-generating units (CGU) that are expected to benefit from the combination. The current recognised goodwill is being amortised over its useful life of 20 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

### Investments

In the accounts of the company, interest in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised in the profit and loss account.

### Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Management assess the impairment of stock at every reporting date by considering recoverability of cost given the nature and condition of the stock. Any impairment is recognised in the profit and loss account.

### Finance leasing and hire purchase agreements

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

### Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the end of the lease.

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

3. **Summary of significant accounting policies (continued)**

**Invoice factoring**

The company makes use of an invoice discounting facility from its bankers. An invoice discounting creditor is recognised when funds are withdrawn against the facility on lodging raised sales invoices. The creditor is reduced by cash received on payment of sales invoices by customers. Interest is borne on the value of the invoice discounting facility that is utilised.

**Pensions**

The company makes contributions to a number of, but doesn't operate any defined contribution pension schemes. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes. Differences between contributions payable in the period and contributions actually paid are shown in the balance sheet.

**Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Basic financial assets**

Basic financial assets, which include trade and other debtors (including accrued income) and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

**Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual assets of the group after deducting all of its liabilities.

**Basic financial liabilities**

Basic financial liabilities, including trade and other creditors (including accruals), loans from fellow group companies and invoice discounting, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 3. Summary of significant accounting policies (continued)

**Equity instruments**

Equity instruments issued by the company are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

## 4. Critical accounting judgements and estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Classification of leases**

The company has used its judgement in recognising whether a lease is a finance lease or operating lease on the basis that if the risks and rewards of asset ownership are substantially transferred then the lease is recognised as a finance lease. If not then the lease is recognised as an operating lease.

**Deferred tax asset**

The company has used its judgement in recognising unrelieved tax losses and other deferred tax assets on the basis that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Intangible assets - goodwill**

The company has used its judgement in allocating goodwill to cash-generating units (CGU) that are expected to benefit from the goodwill, as well estimating the useful life of the goodwill. Management judgement in reviewing indicators of impairment and reversals of impairments have also been applied.

## 5. Turnover

The total turnover of the company for the year has been derived from its principal activity of cleaning services which is wholly undertaken in the UK.

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 6. Operating profit

Operating profit is stated after charging/(crediting):

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| Depreciation on assets held under finance leases | 287 | 247 |
| Depreciation of owned tangible fixed assets | 28 | 20 |
| Amortisation of goodwill | 127 | 127 |
| Exceptional items – dormant company restructure | - | (3,063) |
| Auditors' remuneration – audit services | 18 | 18 |
| Auditors' remuneration – tax services | 4 | 4 |
| Operating lease rentals – land and buildings | 109 | 87 |
| – other | 3 | 107 |
| Profit on disposal of tangible fixed assets | (55) | (60) |

Ten dormant companies within the group were dissolved during the year. This process commenced during the year ended 31 March 2018. Inter-co balances of £4,600,000 between these dormant companies and the company were written back, and an investment impairment of £1,537,000 was also recognised as part of the dormant company restructure.

## 7. Directors' remuneration

The following directors' remuneration in respect of qualifying services provided to the company was paid during the year:

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| Remuneration and other emoluments | 52 | 126 |
| Contributions to pension schemes | 4 | 4 |
| | 56 | 130 |

There is one director to whom retirement benefits are accruing under a money purchase pension scheme (2018: 1).

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 8. Staff costs

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| Wages and salaries | 13,427 | 12,412 |
| Social security costs | 941 | 755 |
| Other pension costs | 144 | 51 |
| | 14,512 | 13,218 |

The average monthly number of employees (including directors) of the company during the year were as follows:

| | Year ended 31 March 2019 No. | Year ended 31 March 2018 No. |
|---|---|---|
| Directors | 2 | 2 |
| Administration | 32 | 24 |
| Cleaning | 830 | 577 |
| | 864 | 603 |

## 9. Interest payable and similar charges

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| Invoice discounting interest | 53 | 49 |
| Finance lease interest | 92 | 99 |
| Other charges | 10 | 12 |
| | 155 | 160 |

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 10. Taxation

(a) Tax on profit

The tax charge is made up as follows:

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax on the profit for the year | - | - |
| Total current tax | - | - |
| **Deferred tax** | | |
| - origination and reversal of timing differences | 72 | (71) |
| - effect of tax rate change on opening balance | - | 166 |
| Tax on profit | 72 | 95 |

(b) Factors affecting the tax charge for the year

The tax assessed on the profit for the year is lower (2018: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2019 of 19% (2018: 19%). The differences are explained below:

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| Profit before taxation | 420 | 3,109 |
| Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2018: 19%) | 80 | 591 |
| Effects of: | | |
| Other permanent differences | - | (115) |
| Expenses not deductible for tax purposes | - | 292 |
| Income not taxable | - | (874) |
| Group relief surrendered | - | 27 |
| Re-measurement of deferred tax rate change | (8) | 174 |
| Total tax charge for year (note 10(a)) | 72 | 95 |

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

**10. Taxation (continued)**

(c) Deferred tax asset

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| At beginning of the year | (1,477) | (1,572) |
| Profit and loss account | 72 | 95 |
| At end of year | (1,405) | (1,477) |

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Capital allowance timing differences | (198) | (256) |
| Other timing differences | (1,078) | (1,058) |
| Tax losses carried forward | (129) | (163) |
| | (1,405) | (1,477) |

The deferred tax asset has been recognised in the balance sheet as the recognition criteria of FRS 102 have been met, and the directors believe that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

There are no unrecognised deferred tax assets or liabilities (2018: £nil).

(d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% will be enacted on 1 April 2020. The current tax at 31 March 2019 has been calculated based on the rate of 19%, whilst the deferred tax asset as at 31 March 2019 has been calculated at the rate anticipated to be in place at the date of unwinding of the deferred tax asset which is 17%.

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 11. Intangible fixed assets

| | Purchased goodwill |
|---|---|
| | £'000 |
| Cost: | |
| At 1 April 2018 and 31 March 2019 | 7,999 |
| Accumulated amortisation: | |
| At 1 April 2018 | (6,482) |
| Charge for year | (127) |
| At 31 March 2019 | (6,609) |
| Net book value: | |
| At 31 March 2019 | 1,390 |
| At 31 March 2018 | 1,517 |

## 12. Tangible fixed assets

| | Plant and machinery | Leasehold properties | Fixtures, fittings and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost: | | | | | |
| At 1 April 2018 | 1,578 | 50 | 18 | 4 | 1,650 |
| Additions | 1,112 | - | - | 67 | 1,179 |
| Disposals/write-offs | (1,485) | - | - | (8) | (1,493) |
| At 31 March 2019 | 1,205 | 50 | 18 | 63 | 1,336 |
| Accumulated depreciation: | | | | | |
| At 1 April 2018 | 878 | 45 | 18 | - | 941 |
| Charge for the year | 304 | 2 | - | 9 | 315 |
| Disposals/write-offs | (740) | - | - | (2) | (742) |
| At 31 March 2019 | 442 | 47 | 18 | 7 | 514 |
| Net book value: | | | | | |
| At 31 March 2019 | 763 | 3 | - | 56 | 822 |
| At 31 March 2018 | 700 | 5 | - | 4 | 709 |

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 12. Tangible fixed assets (continued)

Assets held under finance leases, capitalised in plant and machinery:

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Cost at 1 April | 1,249 | 1,129 |
| Accumulated depreciation at 1 April | (572) | (523) |
| Additions | 1,081 | 518 |
| Disposal at NBV | (745) | (200) |
| Depreciation charge for year | (287) | (247) |
| Net book value | 726 | 677 |

## 13. Investments

| | Investment in subsidiary undertakings £'000 |
|---|---|
| Cost: | |
| At 1 April 2018 | 1,537 |
| Disposal | (1,537) |
| At 31 March 2019 | - |
| Impairment: | |
| At 1 April 2018 | (1,537) |
| Disposal | 1,537 |
| At 31 March 2019 | - |
| Net book value: | |
| At 31 March 2019 | - |
| At 31 March 2018 | - |

The company's subsidiaries were dissolved on 26 June 2018.

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 14. Inventories

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Finished goods | 20 | 17 |

## 15. Debtors

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Trade debtors | 3,450 | 2,545 |
| Amounts owed by group undertakings | 2,508 | 2,508 |
| Other debtors | 12 | 14 |
| Deferred tax asset (note 10(c)) | 1,405 | 1,477 |
| Prepayments and accrued income | 198 | 132 |
| | 7,573 | 6,676 |

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

## 16. Creditors: amounts falling due within one year

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Trade creditors | 502 | 555 |
| Amounts owed to group undertakings | 5,593 | 4,787 |
| Invoice discounting facility | 603 | 715 |
| Taxation and social security | 828 | 724 |
| Other creditors | 53 | 59 |
| Finance lease creditor | 256 | 255 |
| Accruals and deferred income | 2,484 | 2,684 |
| | 10,319 | 9,779 |

Amounts owing under the invoice discounting facility are secured by a fixed and floating charge over the trade debtors and attracts interest at 1.9% above the LIBOR rate.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## 17. Creditors: amounts falling due after more than one year

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Finance lease creditor | 469 | 453 |

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 18. Obligations under finance leases and hire purchase contracts

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Amounts payable: | | |
| Within one year | 342 | 331 |
| Between two and five years | 626 | 552 |
| Total gross payments | 968 | 883 |
| Less finance charges included above | (243) | (175) |
| Net finance lease obligations | 725 | 708 |

## 19. Called up share capital

| | 31 March 2019 | 31 March 2019 | 31 March 2018 | 31 March 2018 |
|---|---|---|---|---|
| Allotted and fully paid | No. | £ | No. | £ |
| 100 Ordinary shares of £1 each | 100 | 100 | 100 | 100 |

## 20. Reserves

*Accumulated losses* – Cumulative profits and losses net of distributions to owners.

## 21. Pensions

The company makes contributions to a number of, but doesn't operate any defined contribution pension schemes in respect of its directors. The pension charge includes contributions due from the company at the year-end amounting to £47,602 (year ended 31 March 2018: £52,414).

## 22. Other financial commitments

At 31 March 2019 the company had the following future minimum lease payments under non-cancellable leases for each of the following years:

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 31 March 2019 £'000 | 31 March 2018 £'000 | 31 March 2019 £'000 | 31 March 2018 £'000 |
| Payments due: | | | | |
| Not later than one year | 97 | 81 | 74 | 10 |
| Later than one year and not later than five years | 280 | 68 | 83 | 57 |
| Total commitment | 377 | 149 | 157 | 67 |

# Notes to the financial statements (continued)

**For the year ended 31 March 2019**

## 23. Contingent liabilities

The company has entered into cross guarantees with its ultimate parent company, immediate parent company and fellow subsidiaries in respect of obligations relating to bank borrowings and investor loan notes, which were £8,493,000 as at 31 March 2019 (2018: £6,227,000).

## 24. Controlling party

At year end the company was a 100% owned subsidiary of LPM Acquisitions Limited which is incorporated in England and is the immediate parent company. The ultimate controlling parties are Roger Burdett, Jonathan Levine, Simon Giles and David Mundell.

The largest and smallest group of undertakings for which group financial statements have been drawn up and which include the results of the company is Axis Group Integrated Services Limited. Copies of the financial statements are available from the Group registered address (Ground Floor Suite, River House, Maidstone Road, Sidcup, Kent, DA14 5RH).