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COMPANY REGISTRATION NUMBER: 06757544

Incentive FM Group Limited
Financial Statements
31 March 2020

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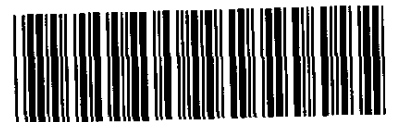
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Incentive FM Group Limited
Officers and Professional Advisers

The board of directors

J C Waud
M V Reed
P N Wickman
S J Wright
W T Pollard

Company secretary

M V Athey

Registered office

4 - 6 Dudley Road
Tunbridge Wells
United Kingdom
TN1 1LF

Auditor

Shipleys LLP
Chartered accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

Incentive FM Group Limited

Strategic Report

Year ended 31 March 2020

Review of business and future developments

The Group in 2019 / 20 and, continuing to the date of signing of this report, has focused on its core businesses and no further acquisition activity has taken place or is planned in line with the board's continued declared strategy. The Group has in fact, as detailed below, become more focused by selling non-core assets and correcting underperformance.

Commentary on the impact of the ongoing Covid-19 pandemic is reviewed as part of the risk review in this report.

The Group businesses can be segmented as below and the commentary on the components together with the Group Central support structure forms the basis of the reported Operating profits / (losses) of the Group.

Group Results by Segment

Total Integrated Facilities

The integrated service business (Incentive Facilities Management Limited), forming the core (grown organically over the last 18 years, with no acquisitions) has maintained its sales levels in tough trading conditions. Trading performance is up to £1.5m (2019: £1.3m) at an operating profit level reflecting good control of direct costs and well managed customer contracts. The client base continues to be blue chip customers in the retail / commercial and leisure & experience space. The outlook for 2021 is to show incremental growth and maintain margin levels and consolidate the business in support of current customers while slowing growth activity while under Covid-19 pandemic impact. Encouragingly, the sales pipeline continues to be positive and core blue chip customers across a diversified portfolio has proved resilient.

Integrated Facilities	2020	2019	2018
	£'000	£'000	£'000
	£	£	£
Turnover	69,755	73,697	73,492
EBITDA	1,742	1,617	1,301
Trading Operating Profit	1,534	1,317	1,091

Direct Services (Contract and Window Cleaning)

The direct services businesses, Incentive QAS Limited (contract cleaning) and Specialist Window Cleaning Limited, have performed well both in terms of revenue growth as well as profitability in 2020. In a highly competitive sector, our unique positioning and customer focus has led to success in the market primarily in the south east of England including some high profile gains in 2019/20 in both the contract and window cleaning markets. The trend for 2021 for these businesses suggests further sales growth and cash generation in support of an extremely strong forward pipeline of opportunities in the contract cleaning business. While the window cleaning business has been impacted by retail contraction under Covid-19 conditions, it has remained resilient given mixed customer base and flexibility of labour deployment.

Direct Services	2020	2019	2018
	£'000	£'000	£'000
	£	£	£
Turnover	24,754	20,302	18,728
EBITDA	642	476	-241
Trading Operating Profit / (Loss)	620	451	-247

Incentive FM Group Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Mechanical, Electrical and Fire Services

Mechanical and Electrical services have traded under the Incentive TEC brand (Incentive TEC Limited and Incentive TEC Fire & Security Limited). In the 2019/20 year continued focus and substantial reorganisation of the fixed cost base has returned the business to a positive contribution prior to the allocation of group central cost. Cost reductions of £0.8m have been undertaken to right size the fixed cost base and a review of customers has reduced turnover but enhanced gross margins with focus on recurring and controllable business in the right sectors.

The forecast period (2021 and beyond) included additional cost control as well as the decision to de-risk the business by removing high risk project works in favour of regular fixed income revenue streams. The business is expected to incur operating losses again in the 2021 forecast period but return to a positive cash generating position by 2022 but as noted is contribution positive before group costs from the beginning of 2020/21 financial year.

Mechanical, Electrical and Fire Services	2020	2019	2018
	£'000	£'000	£'000
Turnover	9,566	13,509	11,207
EBITDA	-1,681	-1,434	-1,785
Trading Operating Profit / (Loss)	-1,608	-1,508	-1,830

Group Central Services

Group costs are charged back to each business based on directly attributable cost basis firstly then a measured share of other central costs usually based on margin or headcount levels. Group central costs to support operations have been reduced in fixed terms and are at 3.9% of turnover (2019: 3.8%).

Discontinued Operations and Asset Sales

Incentive Lynx Security Limited (manned guarding services) achieved a tactical sale of the assets of this company effective 31 January 2020 and is disclosed on the face of the Statement of Comprehensive Income as part of Discontinued Operations. The net non-operating loss was £0.44m.

Weston Electrical Services Limited was placed into Administration by its directors in July 2019 (and was subsequently placed into liquidation by the administrators in January 2020) and is disclosed as a Discontinued Operation on the face of the Statement of Comprehensive Income reflecting a net non-operating loss of £0.69m. The actions taken, while negatively impacting retained earnings in the years 2019 and 2020 have had the effect of improving and providing focus on the remaining businesses within the Mechanical, Electrical and Fire businesses.

Turnover by Operating Segment (Continuing Operations):

	2020	2019	2018
	£'000	£'000	£'000
Integrated Facilities	69,755	73,697	73,492
Direct Services	24,754	20,302	18,728
Mechanical, Electrical & Fire Services	9,566	13,509	11,207
Less: Group Central Services	-4,418	-4,705	-5,211
Gross Continuing Operations	99,657	102,803	98,216
Discontinued Operations	8,122	16,264	16,317
Reported Turnover	107,779	119,067	114,533

Incentive FM Group Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Trading Operating Profit by Operating Segment:

	2020 £'000	2019 £'000	2018 £'000
Integrated Facilities	1,534	1,317	1,091
Direct Services	620	451	-247
Mechanical, Electrical & Fire Services	-1,608	-1,508	-1,830
Trading Operating Profit by Operating Segment *	546	260	-986
Goodwill Amortisation & Impairments	-611	-662	-1,305
Discontinued Operations	-857	-2,268	-52
Reported Trading Op. Loss by Op. Segment	-922	-2,670	-2,343
* As adjusted for other one time items	395	304	-986

Net operating loss for the group, after accounting for the management charges within each segment of the business, is £301k (2019: £765k).

EBITDA by Operating Segment:

	2020 £'000	2019 £'000	2018 £'000
Integrated Facilities	1,742	1,617	1,301
Direct Services	642	476	-241
Mechanical, Electrical & Fire Services	-1,681	-1,434	-1,785
Trading EBITDA Profit by Operating Segment *	703	659	-725
Discontinued Operations	-539	-771	-175
EBITDA by Operating Segment	164	-112	-900
* As adjusted for other one time items	976	703	-725

Post Balance Sheet and Covid-19

There are no Post Balance Sheet events in the period to the date of signing this report in terms of the reporting standard FRS102.

The Group has like all businesses been impacted by the global pandemic known as Covid-19 and results in 2020/21 will be impacted by both our own actions as well as the response by government, customers and suppliers.

It is expected that the impact will be felt for some time and while there are elements of uncertainty, the board is confident that the business is well positioned to manage through this severe crisis.

Incentive FM Group Limited

Strategic Report *(continued)*

Year ended 31 March 2020

The basis of the board's confidence is based on the following:

- Customer base is well distributed through multiple sectors, are of a blue-chip nature and there is limited concentration risk.
- Supply chain has limited risk and key suppliers such as IT / Software / Energy and consumables have been fully assessed.
- Employment has focused on retention and staff welfare through the crisis.
- There has been a board level focus on cash, treasury control and costs.
- The business has further proactively responded to supporting its staff with both safe working environments and flexibility of working conditions.
- The support by the UK government through the furlough process as well as the deferment of VAT has supported the supply chain and allowed customers and our teams to plan for new ways of operational delivery.

Key performance indicators

Customers & Pipeline

The Group continues to provide a wide variety of services and contract style options to its clients across Facilities Management, Mechanical & Electrical (M&E), Cleaning and Window cleaning and Consultancy services.

The board regularly reviews the sales pipeline position as well as customer concentration and risk via regular reviews. This analysis includes business sector profiling, customer contract ageing analysis and bid conversion rates.

Financial Performance

The group manages operating businesses at a contribution before the allocation of Group Central overheads level. Performance is formally reviewed at both monthly management meetings and quarterly board meetings.

Forecast metrics include quarterly short-term cash flow monitoring and long-range business profitability and cashflow reporting which incorporate banking covenant tests.

Incentive FM Group Limited generated an adjusted EBITDA as at 31 March 2020 of £24k (2019: EBITDA loss £1.6m) while operating loss prior to the amortisation/impairment of goodwill was (£309k) (2019: (£2.0m)).

No dividends were paid in relation to the period, and no dividends are to be proposed for the foreseeable future.

The significant increase in EBITDA from 2019 to 2020 was limited by the underperformance of the M&E businesses, which has now returned to a positive contribution prior to Group central cost position, and the outlook for 2021 is for a significant improvement.

Incentive FM Group Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Principal risks

The group's operations may expose it to a variety of financial risks, principally; credit risk and liquidity risk. Due to the size of the organisation, the responsibility for monitoring financial risk management is shared by the directors.

Credit risk

Due to the current economic (including the Covid-19 pandemic) and political environment the sector and the group has exposure to credit risk. Credit risk is actively managed by monitoring and targeting sector exposure as well as individual customer concentration. The integration of credit control resources and operational teams to manage customer-based risk is managed actively and group wide. The Group continues to have very effective credit control processes and procedures and recorded debtor days on average of 25 days (2019: 26 days) during the year. Additionally, in 2020 and 2021 additional reviews of customers have been undertaken and accounted for based on Covid-19 impacted customers and are fully reflected in results and forecasts.

Liquidity risk

Liquidity risk is managed by ensuring the group maintains sufficient funds to meet trading obligations as they fall due. The Group has, as part of its management of liquidity, medium term loan facilities from its Bankers, Barclays which were at £1.3m (2019: £2.2m) as at March 2020 as well as at the date of signing of this report.

In the year ending March 2020, Barclays further assisted the Group's liquidity in the year by an increase of overdraft facilities by an additional £0.7m and a short term loan of £0.5m (2019: £nil).

Further reviews of working capital have continued and as per the notes to the financial report, the Group continues to actively monitor and manage its working capital which includes a review of the debt and equity levels needed to support current trading as well as future organic growth.

It is anticipated that the EBITDA (as adjusted for abnormal or "other items" as disclosed) will, in the year ending March 2021, improve substantially and be positive relative to the reported period.

Environmental and quality practices including carbon outputs

The Group continues to engage in environment initiatives including the reduction of corporate and individual carbon footprints. These include a focus on electrical vehicles in high congestion areas such as London, focus on minimal travel by train where possible rather than car or flights.

The group is ISO registered under ISO 9000 (Quality Management System), ISO 14001 (Environmental Management) and ISO 45001 (previously ISO 18001, Health & Safety Management).

The Group is operating to ISO 27001 standards (information Security Management System) however accreditation is not expected until 2021.

The Group hold SIA (Security Industry Authority) approved contactor and "Pacesetter" status within its integrated business through its best practice.

Additionally, the group has numerous awards including multiple RoSPA awards for safety.

Incentive FM Group Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Streamlined energy and carbon reporting

Energy use by the Group

	kWh 2020	tCO2e 2020	kWh 2019	tCO2e 2019
Direct	3,152,639	787	4,753,733	1,180
Indirect	1,000,517	291	1,063,174	309
Total Energy	<u>4,153,156</u>	<u>1,078</u>	<u>5,816,907</u>	<u>1,489</u>

The tCO2e per £'000 turnover is 1.00% (2019: 1.25%).

Methodology and basis of SECR report

The principal uses of energy included in the reported figures above are:

- Building Services (Direct) - lighting, heating, cooling, ventilation and hot water across the estate;
- Transport - includes Direct Fleet - fleet of light vans for mobile operations sized appropriate to their need, with predominant fuel being diesel, plus some company cars; and
- Indirect (Grey) Fleet - staff using own vehicles for work-based activities and claiming mileage expenses.

A breakdown of energy usage for subsidiary companies is not required for this report but is available.

Improvement measures undertaken & opportunities

- LED Lighting - the majority of lighting has already been replaced with LED lighting and for any remaining fluorescent lighting consideration has been given for their replacement.
- Pipework insulation - small opportunity to ensure insulation fitted, and heat waste reduced, for any pipework, heating and hot water installations, not yet covered.
- Solar PV - Long-term investment opportunity considered to reduce electricity costs. Deemed unviable based on current plans.
- Monthly Meter Readings- meter readings recorded across the estate to ensure accuracy of data and identify any unexpected changes in usage or performance of the installations.
- Electric vans - Incentive FM Group now has electric vehicles within its fleet and further consideration given for additional vehicles where appropriate based on activity and location.
- Public Transport - use encouraged, particularly for urban destinations (prior to COVID19).
- Video/Audio Conferencing - to help avoid travel where possible Microsoft Teams platform is in place across the entire group and working from home has become the norm for the majority (and especially since COVID19 pandemic).

Incentive FM Group Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Employee practices

The group is focussed on understanding, measuring and improving its social value across all businesses including increased employment opportunities through the governments 'Kickstart' programme.

The group is an equal opportunity employer and recruits based on merit and abides by the principles of no discrimination in any form.

The group considers applications from disabled persons as well as providing, as far as practical, retraining and development to existing employees should they become disabled.

The group provides employees with information about the Group as well as welfare and support through social media, portals and face to face meetings.

The group leadership development and training programmes are still focused on improved management effectiveness and retention as well as succession planning. The Facilities employment market is highly competitive especially since the exit of the United Kingdom from the EU; accordingly, additional focus on staff wellbeing continues to be a strategic driver.

The group continues to support a targeted charity, Scotty's Little Soldiers, in a focused and employee engaged manner.

The 2,857 staff employed at the time of this report (2019: 2,912) have an average salary of £21,884 (2019: £21,800) and are from 68 (2019: 71) nationalities.

The group is fully compliant with National Minimum Wage law for all staff under its employ.

The group adheres to anti modern slavery legislation, which can be located on www.incentive-fm.com.

Directors' duties

Directors of Incentive FM Group Limited act in accordance with a set of duties that are in the best interests of stakeholders of the company. These duties are in accordance with those detailed in Section 172 of the UK Companies Act 2006.

This report was approved by the board of directors on ...13/10/2020 and signed on behalf of the board by:



J C Waud
Director

Registered office:
4 - 6 Dudley Road
Tunbridge Wells
United Kingdom
TN11 1LF

Incentive FM Group Limited

Directors' Report

Year ended 31 March 2020

The directors present their report and the financial statements of the group for the year ended 31 March 2020.

Directors

The directors who served the company during the year were as follows:

J C Waud
M V Reed
P N Wickman
S J Wright
W T Pollard

Dividends

Particulars of recommended dividends are detailed in note 14 to the financial statements.

Employment of disabled persons

The group is an equal opportunity employer and recruits based on merit and abides by the principles of no discrimination in any form. The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Incentive FM Group Limited

Directors' Report *(continued)*

Year ended 31 March 2020

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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 13/10/2020 and signed on behalf of the board by:



J C Waud
Director

Registered office:
4 - 6 Dudley Road
Tunbridge Wells
United Kingdom
TN1 1LF

Incentive FM Group Limited

Independent Auditor's Report to the Members of Incentive FM Group Limited

Year ended 31 March 2020

Opinion

We have audited the financial statements of Incentive FM Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, 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 group's and of the parent company's affairs as at 31 March 2020 and of the group's loss 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 group 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the notes of the financial statements regarding the group's or the parent company's ability to continue as a going concern. These disclosures indicate the existence of uncertainties that cast doubt on the group's or the parent company's ability to continue as a going concern. In view of these uncertainties, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Incentive FM Group Limited

Independent Auditor's Report to the Members of Incentive FM Group Limited (continued)

Year ended 31 March 2020

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Incentive FM Group Limited

Independent Auditor's Report to the Members of Incentive FM Group Limited (continued)

Year ended 31 March 2020

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Incentive FM Group Limited

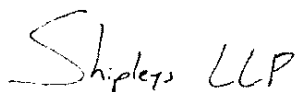
Independent Auditor's Report to the Members of Incentive FM Group Limited (continued)

Year ended 31 March 2020

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

Use of our report

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

Handwritten signature of Shane Moloney in black ink, reading "Shipleys LLP".

Shane Moloney (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

14 October 2020

Incentive FM Group Limited
Consolidated Statement of Comprehensive Income
Year ended 31 March 2020

		2020			2019		
		Continuing operations	Discont'd operations	Total	Continuing operations	Discont'd operations	Total
	Note	£000	£000	£000	£000	£000	£000
Turnover	4	99,656	8,122	107,778	102,802	16,265	119,067
Cost of sales		(89,005)	(7,886)	(96,891)	(91,639)	(15,479)	(107,118)
Gross profit		10,651	236	10,887	11,163	786	11,949
Administrative expenses		(10,616)	(670)	(11,286)	(11,529)	(2,428)	(13,957)
Other operating income	7	88	—	88	—	—	—
Amortisation of goodwill		(424)	(187)	(611)	(399)	(263)	(662)
Operating loss	8	(301)	(621)	(922)	(765)	(1,905)	(2,670)
Lynx Security exceptional costs charged	5	—	(137)	(137)	—	—	—
Lynx Security impairment and disposal of goodwill	5	—	(549)	(549)	—	(870)	(870)
Lynx Security gain on disposal of trade and assets	5	—	452	452	—	—	—
Weston Electrical Services impairment and disposal of goodwill	5	—	—	—	—	(1,272)	(1,272)
Weston Electrical Services loss of control	5	—	(305)	(305)	—	—	—
Interest payable and similar expenses	12	(108)	(5)	(113)	(114)	(16)	(130)
Loss before taxation		(409)	(1,165)	(1,574)	(879)	(4,063)	(4,942)
Tax on loss	13	82	43	125	—	—	—
Loss for the financial year and total comprehensive income		(327)	(1,122)	(1,449)	(879)	(4,063)	(4,942)

The notes on pages 21 to 37 form part of these financial statements.

Incentive FM Group Limited
Consolidated Statement of Financial Position
31 March 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	15	5,817	7,045
Tangible assets	16	270	465
Investments	17	29	29
		<u>6,116</u>	<u>7,539</u>
Current assets			
Stocks	18	—	61
Debtors	19	9,709	10,769
Cash at bank and in hand		2,947	4,743
		<u>12,656</u>	<u>15,573</u>
Creditors: amounts falling due within one year	21	(24,754)	(27,362)
Net current liabilities		<u>(12,098)</u>	<u>(11,789)</u>
Total assets less current liabilities		<u>(5,982)</u>	<u>(4,250)</u>
Creditors: amounts falling due after more than one year	22	(1,025)	(1,260)
Provisions	24	(1)	(49)
Net liabilities		<u>(7,008)</u>	<u>(5,559)</u>
Capital and reserves			
Called up share capital	28	12	12
Share premium account	29	1,305	1,305
Revaluation reserve	29	16	16
Profit and loss account	29	(8,341)	(6,892)
Shareholders deficit		<u>(7,008)</u>	<u>(5,559)</u>

These financial statements were approved by the board of directors and authorised for issue on 13/10/2020, and are signed on behalf of the board by:



J C Waud
Director

Company registration number: 06757544

The notes on pages 21 to 37 form part of these financial statements.

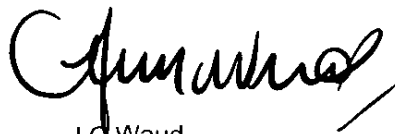
Incentive FM Group Limited
Company Statement of Financial Position

31 March 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	17	8,342	9,022
Current assets			
Debtors	19	1,633	249
Creditors: amounts falling due within one year	21	(20,024)	(11,470)
Net current liabilities		(18,391)	(11,221)
Total assets less current liabilities		(10,049)	(2,199)
Creditors: amounts falling due after more than one year	22	(825)	(1,211)
Net liabilities		(10,874)	(3,410)
Capital and reserves			
Called up share capital	28	12	12
Share premium account	29	1,299	1,299
Profit and loss account	29	(12,185)	(4,721)
Shareholders deficit		(10,874)	(3,410)

The loss for the financial year of the parent company was £7,464k (2019: £4,722k).

These financial statements were approved by the board of directors and authorised for issue on 13/10/2020, and are signed on behalf of the board by:



J C Waud
Director

Company registration number: 06757544

The notes on pages 21 to 37 form part of these financial statements.

Incentive FM Group Limited
Consolidated Statement of Changes in Equity
Year ended 31 March 2020

		Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 April 2018		12	1,305	16	(746)	587
Prior Year Adjustment	27	—	—	—	(904)	(904)
Loss for the year		—	—	—	(4,942)	(4,942)
Total comprehensive income for the year		—	—	—	(4,942)	(4,942)
Dividends paid and payable	14	—	—	—	(300)	(300)
Total investments by and distributions to owners		—	—	—	(300)	(300)
At 31 March 2019		12	1,305	16	(6,892)	(5,559)
Loss for the year		—	—	—	(1,449)	(1,449)
Total comprehensive income for the year		—	—	—	(1,449)	(1,449)
At 31 March 2020		12	1,305	16	(8,341)	(7,008)

The notes on pages 21 to 37 form part of these financial statements.

Incentive FM Group Limited
Company Statement of Changes in Equity
Year ended 31 March 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2018	12	1,299	–	1,311
Loss for the year	—	—	(4,721)	(4,721)
Total comprehensive income for the year	—	—	(4,721)	(4,721)
At 31 March 2019	12	1,299	(4,721)	(3,410)
Loss for the year	—	—	(7,464)	(7,464)
Total comprehensive income for the year	—	—	(7,464)	(7,464)
At 31 March 2020	<u>12</u>	<u>1,299</u>	<u>(12,185)</u>	<u>(10,874)</u>

The notes on pages 21 to 37 form part of these financial statements.

Incentive FM Group Limited
Consolidated Statement of Cash Flows
Year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Loss for the financial year		(1,449)	(4,942)
<i>Adjustments for:</i>			
Depreciation of tangible assets		277	322
Amortisation of intangible assets		668	787
Impairment of intangible assets		549	2,142
Interest payable and similar expenses		112	130
Loss on disposal of tangible assets		5	307
Tax on loss		(125)	–
<i>Changes in:</i>			
Stocks		61	305
Trade and other debtors		1,103	3,191
Trade and other creditors		(1,930)	(1,412)
Cash generated from operations		(729)	830
Interest paid		(113)	(130)
Tax received/(paid)		53	(59)
Net cash (used in)/from operating activities		(789)	641
Cash flows from investing activities			
Purchase of tangible assets		(87)	(439)
Proceeds from sale of tangible assets		–	1
Purchase of intangible assets		(82)	–
Net cash used in investing activities		(169)	(438)
Cash flows from financing activities			
Proceeds from borrowings		(502)	(1,611)
Dividends paid		–	(300)
Net cash used in financing activities		(502)	(1,911)
Net decrease in cash and cash equivalents		(1,460)	(1,708)
Cash and cash equivalents at beginning of year		1,788	3,496
Cash and cash equivalents at end of year	20	328	1,788

The notes on pages 21 to 37 form part of these financial statements.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 4 - 6 Dudley Road, Tunbridge Wells, TN1 1LF, United Kingdom.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The Group made operating losses of £301k (2019: £765k) from continuing operations, and has net liabilities of £7,008k (2019: £5,559k) at the balance sheet date. The Group made losses after taxation of £1,449k (2019, £4,942k).

The Group's performance is primarily impacted by the poor trading of its Mechanical & Engineering subsidiaries from 2018 through to 2020 and the associated balance sheet impact to investment value associated with these subsidiaries. Actions have been taken which have now resulted in the Mechanical & Electrical subsidiaries breaking even at a net contribution level. The actions included a realignment of fixed overheads as well as limiting high risk long timeline projects. Forecasts / projections made now show positive impact of this reorganisation within the Mechanical & Electrical subsidiary into 2020/21.

Further group reorganisation resulted in the sale of the assets of Incentive Lynx Security as at 31 January 2020, being non-core to group strategy, as well as placing Weston Electrical Limited into Administration within the year ending March 2020.

A director loan of £0.2m was further provided by the majority shareholder in support of working capital as at March 2020.

All other subsidiaries continue to trade profitably and cash generative.

As at the date of this report the business is operating under the restrictions brought about due to the Covid-19 pandemic. The group has operationally traded through the lockdown period to date with minimal impact on customers and forecasted profitability given the blue-chip nature of the customer base and the balanced portfolio which has limited overall risk. Further short-term support from Government backed tax deferments have supported the supply chain as have furloughed staff income.

The Group's external debt to bankers has reduced at the balance sheet date from £2.1m to £1.3m, and further within the forecast period to levels below £0.9m by March 2021. The Group has met covenants as at March and June 2020 with the exception of interest cover, but continued support has been provided bankers inclusive of an agreement to defer repayments by 6 months in support of potential Covid impacts. There is current discussions between the directors and our bankers on the correct covenants required to support the business in abnormal world conditions.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

In the year ending March 2020, Barclays provided a short-term working capital loan facility (which was fully repaid) as well as an extension of overdraft facilities. The commercial bank continues to support the business, its reorganisation plans and forecast / projections for future cash positive trading based on such. All bank loan and interest repayments have been made as and when they fell due.

The business is now both free cash and EBITDA positive in the period to the date of signing of this report as well as expectations in the 12-month forecast period.

Further the Group continues, despite Covid, to engage in active discussions with external debt and equity funders to seek a permanent balance sheet and equity reorganisation to correct working capital imbalances while operational improvements stimulate free cash generation of over £1m in 2020/21.

The directors additionally review its portfolio of group subsidiaries to ensure each is actively managed and individually is EBITDA positive in the forecast / projection period.

The directors have prepared cashflow information for the 12 months from the date of approval of these financial statements. These projections review the continued operation of current banking facilities as well as alternative and additional funding options and the directors consider that the group will operate within its agreed facilities.

The directors, therefore with the uncertainties attached above and having taken certain decisions as well as having active options in hand, consider it appropriate to prepare the financial statements on a going concern basis.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Incentive FM Group Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Revenue recognition

Turnover is the amount derived from ordinary activities, and is measured at the fair value of the consideration received or receivable. Turnover is reduced for estimated customer returns, rebates and other similar allowances, and is stated net of VAT.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) the group has transferred to the buyer all significant risks and rewards of ownership of the goods;
- (b) the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measure reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the group; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the useful economic life of 20 years. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill & Contacts	-	5% straight line
Patents, trademarks and licences	-	33% straight line
Software	-	33% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Long leasehold property	-	Over the lease period
Plant and machinery	-	33% straight line
Fixtures and fittings	-	33% straight line
Motor vehicles	-	33% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Incentive FM Group Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2020

4. Turnover

Turnover arises from:

	2020	2019
	£000	£000
Rendering of services	107,778	119,067

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Discontinued operations

During the period, the subsidiary undertaking Weston Electrical Services Limited entered a voluntary administration on 18 July 2019, and Incentive Lynx Security Limited sold off its trade and assets effective 31 January 2020, and hence these entities are considered to constitute discontinued operations.

During the year, Weston Electrical Services Limited contributed a loss from its activities of £354k (2019: £1,992k). The net liabilities at the date of disposal were £1,926k (equivalent to net liabilities of £463k excluding group balances due to and from the entity). After intercompany items and exceptional costs thereof, this represented a loss to the group of £687k (2019: £3,335k).

During the year, Incentive Lynx Security Limited contributed a loss from its activities of £84k (2019: £334k gain). The net liabilities at the date of disposal were £467k (equivalent to net liabilities of £254k excluding group balances due to and from the entity). After intercompany items and exceptional costs thereof, this represented a loss to the group of £436k (2019: £728k).

6. Exceptional costs

Exceptional costs relate to one-off expenditure incurred in the winding down of Incentive Lynx Security Limited company following the cessation of business.

7. Other operating income

	2020	2019
	£000	£000
Other operating income	88	—

Other operating income relates to funds received from the government furlough scheme in respect of staff costs.

8. Operating profit

Operating profit or loss is stated after charging:

	2020	2019
	£000	£000
Amortisation of intangible assets	667	787
Depreciation of tangible assets	277	256
Impairment of trade debtors	39	173

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

9. Auditor's remuneration

	2020 £000	2019 £000
Fees payable for the audit of the financial statements	71	69

10. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2020 No.	2019 No.
Production staff	2,761	2,813
Administrative staff	96	99
	<u>2,857</u>	<u>2,912</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020 £000	2019 £000
Wages and salaries	62,519	58,512
Social security costs	4,736	4,189
Other pension costs	791	796
	<u>68,046</u>	<u>63,497</u>

11. Directors' remuneration

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

	2020 £000	2019 £000
Remuneration	417	511
Company contributions to defined contribution pension plans	7	—
	<u>424</u>	<u>511</u>

Remuneration of the highest paid director in respect of qualifying services:

	2020 £000	2019 £000
Aggregate remuneration	<u>227</u>	<u>230</u>

12. Interest payable and similar expenses

	2020 £000	2019 £000
Interest on banks loans and overdrafts	<u>113</u>	<u>130</u>

Incentive FM Group Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2020

13. Tax on loss

Major components of tax income

	2020 £000	2019 £000
Current tax:		
Adjustments in respect of prior periods	(62)	–
Cessation relief	(43)	–
Prior year tax refunds	(20)	–
Total current tax	<u>(125)</u>	<u>–</u>
Tax on loss	<u>(125)</u>	<u>–</u>

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £000	2019 £000
Loss on ordinary activities before taxation	(1,574)	(4,942)
Loss on ordinary activities by rate of tax	(299)	(939)
Effect of expenses not deductible for tax purposes	47	49
Effect of capital allowances and depreciation	22	54
Unused tax losses	103	303
Effect of amortisation and impairment	127	533
Adjustment in respect of prior year	(62)	–
Prior year tax refunds	(20)	–
Cessation release	(43)	–
Tax on loss	<u>(125)</u>	<u>–</u>

14. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2020 £000	2019 £000
Dividends on 'A' Ordinary Shares	<u>–</u>	<u>300</u>

All dividends paid relate to 'A' Ordinary shares as per note 28.

Incentive FM Group Limited

Notes to the Financial Statements (continued)

Year ended 31 March 2020

15. Intangible assets

Group	Goodwill & Contacts £000	Patents, trademarks and licences £000	Other intangible assets £000	Total £000
Cost				
At 1 April 2019	10,517	13	276	10,806
Additions	–	–	82	82
Impairments	(549)	–	–	(549)
Release of deferred consideration	(93)	–	–	(93)
At 31 March 2020	9,875	13	358	10,246
Amortisation				
At 1 April 2019	3,626	13	122	3,761
Charge for the year	612	–	56	668
At 31 March 2020	4,238	13	178	4,429
Carrying amount				
At 31 March 2020	5,637	–	180	5,817
At 31 March 2019	6,891	–	154	7,045

The company has no intangible assets.

16. Tangible assets

Group	Long leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2019	290	1,183	262	62	1,797
Additions	–	66	21	–	87
Disposals	(3)	–	(38)	(13)	(54)
Transfers	–	21	(21)	–	–
At 31 March 2020	287	1,270	224	49	1,830
Depreciation					
At 1 April 2019	163	908	225	36	1,332
Charge for the year	46	210	15	6	277
Disposals	(3)	–	(34)	(12)	(49)
At 31 March 2020	206	1,118	206	30	1,560
Carrying amount					
At 31 March 2020	81	152	18	19	270
At 31 March 2019	127	275	37	26	465

The company has no tangible assets.

Incentive FM Group Limited
Notes to the Financial Statements *(continued)*
Year ended 31 March 2020

17. Investments

Group	Other investments other than loans £000
Cost	
At 1 April 2019 and 31 March 2020	29
Impairment	
At 1 April 2019 and 31 March 2020	—
Carrying amount	
At 1 April 2019 and 31 March 2020	29
At 31 March 2019	29
 Company	 Shares in group undertakings £000
Cost	
At 1 April 2019	13,744
Release of deferred consideration	(92)
At 31 March 2020	13,652
Impairment	
At 1 April 2019	4,722
Impairment losses	588
At 31 March 2020	5,310
Carrying amount	
At 31 March 2020	8,342
At 31 March 2019	9,022

All of the company investments in group undertakings are listed below. All are incorporated in England and Wales.

The registered office of all investments below is: 4-6 Dudley Road, Tunbridge Wells, Kent TN11 1LF. The accounts for each can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

All of those marked with ** have taken advantage of the exemption from audit under provisions of S479A of the Companies Act 2006 ("the Act"), and the members of those companies have not required the company to obtain an audit for the years in question in accordance with Section 476 of the Act.

Incentive FM Group Limited

Notes to the Financial Statements (continued)

Year ended 31 March 2020

17. Investments (continued)

Subsidiaries, associates and other investments

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

Subsidiary undertakings	Nature of Trade	Class of share	Shares held %
Incentive Facilities Management Limited	Facilities management	Ordinary	100
Incentive Lynx Security Limited	Security	Ordinary	100
Incentive QAS Limited	Contract cleaning	Ordinary	100
Incentive Tec Limited	Engineering	Ordinary	100
Specialist Window Cleaning Limited	Window cleaning	Ordinary	100
Incentive FM Consultancy Limited	Consultancy	Ordinary	100
ARL Support Services Limited**	Window cleaning	Ordinary	100
Air Conditioning Economics (Holdings) Limited**	Holding company	Ordinary	100
Incentive FM Limited	Consultancy	Ordinary	100
Incentive Support Services Limited (Held by Incentive Facilities Management Limited)	Contract cleaning	Ordinary	100
ACE Environmental Engineering Limited** (Held by Air Conditioning Economics (Holdings) Limited)	Air-conditioner servicing	Ordinary	100
WES (Holdings) Limited** (Held by Air Conditioning Economics (Holdings) Limited)	Electrical Services	Ordinary	100
Weston Electrical & Mechanical Services Limited** (Held by WES (Holdings) Limited)	Dormant	Ordinary	100
Incentive Tec Fire & Security Systems Limited** (Held by WES (Holdings) Limited)	Fire service activities	Ordinary	100

18. Stocks

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Stock and work-in-progress	—	61	—	—

19. Debtors

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade debtors	7,309	6,728	—	—
Amounts owed by group undertakings	—	—	1,633	249
Corporation tax recoverable	43	—	—	—
Other debtors	2,357	4,041	—	—
	<u>9,709</u>	<u>10,769</u>	<u>1,633</u>	<u>249</u>

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

20. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2020 £000	2019 £000
Cash at bank and in hand	2,947	4,743
Bank overdrafts	(2,619)	(2,955)
	<u>328</u>	<u>1,788</u>

21. Creditors: amounts falling due within one year

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank overdrafts	2,619	2,955	2,074	2,943
Trade creditors	6,759	6,589	—	—
Amounts owed to group undertakings	—	—	17,439	7,503
Accruals and deferred income	6,648	8,218	—	—
Corporation tax	1	30	—	—
Social security and other taxes	4,802	4,519	—	—
Obligations under finance leases and hire purchase contracts	1	62	—	—
Director loan accounts	120	—	—	—
Bank loans	511	929	511	929
Other creditors	3,293	4,060	—	95
	<u>24,754</u>	<u>27,362</u>	<u>20,024</u>	<u>11,470</u>

22. Creditors: amounts falling due after more than one year

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Director loan accounts	200	—	—	—
Bank loans	825	1,211	825	1,211
Other creditors	—	49	—	—
	<u>1,025</u>	<u>1,260</u>	<u>825</u>	<u>1,211</u>

All balances are repayable within five years - bank borrowings are secured by way of a fixed and floating charge over assets of the group.

The directors loan account balance is repayable within five years and is as disclosed in note 32.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

23. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Not later than 1 year	1	74	—	—
Later than 1 year and not later than 5 years	—	40	—	—
	<u>1</u>	<u>114</u>	<u>—</u>	<u>—</u>

The expense for the year relating to lease payments was £3k (2019: £2k).

24. Provisions

Group	Deferred tax (note 25) £000
At 1 April 2019	49
Released against provision	(48)
At 31 March 2020	<u>1</u>

The company does not have any provisions.

25. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Included in provisions (note 24)	<u>1</u>	<u>49</u>	<u>—</u>	<u>—</u>

26. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £791k (2019: £796k).

27. Prior period adjustments

In the comparative period, a prior year adjustment was recognised, based on a fundamental error in the report in 2018 of the subsidiary ACE Environmental Engineering Limited of £904k, restating 2018 comparatives and accumulated retained earnings / (losses). This subsidiary was unaudited being subject to Section 477 in respect of small company exemptions.

The error relating to cut-off issues within a business which was undergoing changes in systems and management, and was subject to ongoing reporting issues, which have previously been addressed, and there is no impact on the period presented.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

28. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
'A' Ordinary shares of £0.10 each	118,423	11,842	118,423	11,842
'B' Ordinary shares of £0.10 each	1,100	110	1,100	110
	<u>119,523</u>	<u>11,952</u>	<u>119,523</u>	<u>11,952</u>

'A' ordinary shareholders are entitled to one vote per share in any circumstances.

'B' ordinary shareholders has the full rights in the company with respect to voting, distributions and to dividends as declared by the directors from time to time.

The group has an EMI share option scheme. At the beginning of the year there were 5 employees included in the scheme with each individual holder had 1,000 share options at an exercise price of £135. No new options were granted in the year. As at 31 March 2020, 5,000 share options were outstanding. The fair value of the share options at the grant date was calculated using the Black Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value. No charge has been included in the financial statements due to the value being immaterial.

29. Reserves

Share premium - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Profit and loss account - This reserve records retained earnings and accumulated losses.

30. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Not later than 1 year	315	184	122	—
Later than 1 year and not later than 5 years	205	208	19	—
Later than 5 years	34	—	—	—
	<u>554</u>	<u>392</u>	<u>141</u>	<u>—</u>

The expense for the year relating to lease payments was £178k (2019: £207k).

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

31. Charges on assets

This company has entered into a Composite Accounting Agreement with Barclays Bank. Each participating company has provided a guarantee to the bank. Under the terms of the Agreement and the guarantees, the bank is authorised to allow set-off for interest purposes and in certain circumstances to seize credit balances and apply them in reduction of liabilities including debit balances within the Composite Accounting System. This agreement is between: Ace Environmental Engineering Limited, Air Conditioning Economics (Holdings) Limited, ARL Support Services Ltd, Incentive Facilities Management Limited, Incentive FM Group Limited, Incentive Lynx Security Limited, Specialist Window Cleaning Limited, Incentive QAS Limited, WES (Holdings) Limited, Weston Electrical & Mechanical Services Limited and Incentive Tec Limited.

32. Related party transactions

Group

During the year group made a number of payments on behalf of Net 72 Limited, a company in which J C Waud is a director and 100% shareholder. These payments were in respect of pension, insurance and mobile expenses totalling £20k (2019: £3k). Repayments of £20k (2019: £9k) were made in the year. The balance outstanding at the year end was £nil (2019: £nil).

Purchases totalling £40k (2019: £39k) were made from Net 72 Limited in the year and an amount of £3k (2019: £nil) was owed at the year end. The group also made payments of £10k (2019: £nil) in respect of rent payments. All transactions with Net 72 Limited are on commercial terms.

During the year, the group made a number of purchases from Waud Wine Limited, a company in which J C Waud is a director and shareholder. These purchases totalled £37k (2019: £27k). The balance outstanding at the year end was £nil (2019: £3k). The group also made payments of £5k (2019: £10k) in respect of rent payments. All transactions with Waud Wine Limited are on commercial terms.

During the year, directors M Reed, J Waud and W Pollard, had outstanding loans due to the group. At year end, there were outstanding balances of £21k (2019: £21k), £nil (2019: £27k) and £3k (2019: £nil) respectively.

In addition to the above loan repayments, directors M Reed and W Pollard advanced temporary funding to the company of £100k (2019: £nil) and £20k (2019: £nil) respectively. Director J Waud advanced funding to the company of £200k (2019: £nil). This was repayable within 5 years, and is disclosed within creditors due after more than 1 year. The loan is on standard commercial terms and at a market rate of interest.

The directors are satisfied that all of the above transactions were carried out on an arm's length basis.

There are considered to be no key management personnel other than the directors.

No other transactions with related parties were undertaken as such that are required to be disclosed under FRS 102.

Incentive FM Group Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

32. Related party transactions *(continued)*

Company

No transactions with related parties were undertaken as such that are required to be disclosed under FRS 102.

The company has not disclosed intra-group transactions and balances with wholly-owned group member entities, in accordance with the provisions of FRS 102 Section 33.1A.

33. Controlling party

The ultimate controlling party throughout the period was J C Waud, a director and majority shareholder.