

## **Humberts Limited**

Report and Financial Statements

Year Ended

31 December 2015

Company Number 06522558

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# Humberts Limited

## Report and financial statements for the year ended 31 December 2015

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### Directors

I Westerling  
D Hebditch  
R Sinclair  
S Mussa

### Secretary and registered office

Y Tatham, 4<sup>th</sup> Floor, 2 Park Street, London, W1K 2HX

### Company number

06522558

### Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

# Humberts Limited

## Strategic report for the year ended 31 December 2015

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### Principal activities

The principal activity of the company is the provision of estate agency, commercial and professional property related services.

### Review of the business

Humberts (the Company) is a long established UK wide estate agency. During 2015 the business continued its restructuring and the directors believe that it is now in a good position to take advantage of an upturn in market conditions and take market share from its competitors. The main departments encompass residential sales, rural estate management, commercial property sales, valuations and professional services. During the year the business started a Land and New Homes team which will provide clients with advice and assistance in selling new developments.

In its second year of trading the company generated revenue of £8.3m (2014 - £10.2m) from its activities with an underlying EBITDA loss of £1.5m, this is an improvement on the EBITDA loss from continuing operations in 2014 of £2.9m.

The company continues to invest into its central information technology and refurbishments of key offices.

### Key Performance Indicators

Our primary key performance indicators (KPIs) are turnover and EBITDA (earnings before interest, tax, depreciation and amortisation). A summary of the KPIs are shown below:

	2015 £'000	2014 £'000
Turnover - continuing	8,250	9,839
EBITDA loss - continuing	(1,451)	(2,908)

### Principal risk and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are set out below:

#### *Employees*

Company performance depends largely on its managers and staff. The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the company's results. To mitigate these issues, the company has in place a number of incentive and training schemes that are designed to attract and retain key individuals.

# Humberts Limited

## Strategic report for the year ended 31 December 20159 (*continued*)

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### Principal risk and uncertainties (*continued*)

#### *Service levels*

It is critical that our service levels are maintained to the highest standard. Any significant dip in the perceived level of service and professionalism that we routinely offer would adversely affect our ability to compete in the market. We pride ourselves on our exceptional service levels. To mitigate the risk of a fall in service quality we regularly monitor the performance of our sales negotiators and offer a focused training programme. In addition, we subscribe to a number of industry regulated bodies, including the National Association of Estate Agents (NAEA), the Royal Institute of Chartered Surveyors (RICS), and the Ombudsman for Estate Agents. We require our sales staff to go through the NAEA examinations.

#### *Macroeconomic conditions*

The business is dependent on the residential property market in the South of England which is in turn influenced by UK macroeconomic conditions, such as the availability of mortgage finance. Any deterioration in these conditions could adversely affect the business. The board regularly reviews market conditions and forward indicators to assess whether any action is required to reduce costs. Property sales prices are relatively high in the South of England and are typically considered to be more resilient than elsewhere in the UK, making the value of the Humberts market less volatile overall.

#### *Competitors*

Humberts operates in a highly competitive marketplace. New or existing competitors could develop new services or methods of working which could give them a competitive advantage over Humberts, including internet portals. Humberts continually collects information on competitor activity through its branch network. Humberts flat management structure allows this competitor intelligence to be fed back to management accurately and quickly so that the Company can rapidly consider appropriate responses. The board believes that the emotional and complex nature of estate agency transactions means that it is unlikely that the internet will play a major role in the exchange or completion of sales transactions without the involvement of an estate agent. However, the challenge of the internet will be kept under review.

#### *Client monies*

Humberts holds client monies, which may be at risk in the event of a banking failure. All client monies are held in correctly designated client accounts within an FCA approved UK bank. In addition, all client monies are covered by the RICS clients' money protection scheme.

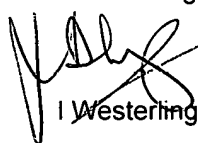
### Future plans

The country residential sales market started slowly in 2016, although there was an upturn in transaction numbers at the end of quarter one as investors sought to purchase properties prior to the introduction of a new stamp duty regime on buy to let and second homes. With the result of the euro referendum in June and the timescale for triggering Article 50 to leave the EU still unknown, buyers remain cautious.

Having stabilised the business the Directors will now consider new office locations and now look for strategically placed acquisitions which can be purchased and streamlined into the company's systems and processes.

### Approval

This strategic report was approved on behalf of the Board on 19 December 2016



I Westering

Director

# Humberts Limited

## Report of the directors for the year ended 31 December 2015

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The directors submit their report and the financial statements of Humberts Limited for the year ended 31 December 2015.

### Results and dividends

The directors report a company loss of £4.3 million for the year (2014 - £15.4m). This loss is stated after recognising amortisation of intangible fixed assets £1.2 million (2014 - £8.9m), and a tax charge of £nil (2014 - £2.4m). No dividend was paid during the year (2014 - £Nil) and the directors do not recommend the payment of a final dividend (2014 - £Nil). Following all of the strategic changes which have been implemented the directors were satisfied with the result for the year and the financial position of the company at the year end.

### Directors

The directors who served during the year and to the date of this report were:

R Bartlett (resigned 23 December 2015)  
I Westerling  
D Hebditch  
R Sinclair  
S Mussa  
Tridevi Consulting Limited (resigned 18 August 2016)

### Financial risk management

#### *Credit risk*

The company is only marginally exposed to credit risk in its sales agency operations as fees are paid out of property completion monies at the time of completion directly by the acting solicitors.

#### *Liquidity risk*

The activity level of the business is closely related to the housing marketplace and any downturn in that market will be reflected in the company's results with a potentially adverse effect on the cash the business generates. Therefore, the management of liquidity remains a priority at all times. Liquidity is managed through monitoring cash balances on a daily, weekly, and monthly basis, and reporting to the Board monthly.

#### *Interest Rate Risk*

The interest rate payable on borrowings is fixed and therefore the Group is not exposed to interest rate changes.

# Humberts Limited

## Report of the directors for the year ended 31 December 2015 (*continued*)

### Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the 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 company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

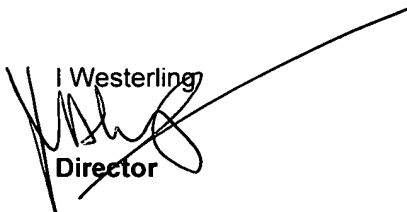
### Disclosure of information to auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor are aware of that information. The directors are not aware of any relevant audit information of which the auditor are unaware.

### Auditor

Baker Tilly UK Audit LLP resigned as auditor of the company during the year and BDO LLP were appointed as auditor of the company by the directors. BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at the next annual general meeting.

### On behalf of the Board

  
I Westerling  
Director

Date 19 December 2016

# Humberts Limited

## Independent auditor's report

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### TO THE MEMBERS OF HUMBERTS LIMITED

We have audited the financial statements of Humberts Limited for the year ended 31 December 2015 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

# Humberts Limited

## Independent auditor's report (*continued*)

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

We have nothing to report in respect of the following matters where 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.

*boo up.*

*Tim Neathercoat (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom*

Date *19 December 2016.*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Humberts Limited

## Statement of income and retained earnings for the year ended 31 December 2015

	Note	Total 2015 £'000	Continuing Operations 2014 £'000	Discontinued Operations 2014 £'000	Total 2014 £'000
<b>Turnover</b>	2	<b>8,250</b>	9,839	403	10,242
Cost of sales		<b>(6,855)</b>	(7,628)	(430)	(8,058)
<b>Gross profit/ (loss)</b>		<b>1,395</b>	2,211	(27)	2,184
Administrative expenses		<b>(2,846)</b>	(5,119)	(11)	(5,130)
Profit on sale of discontinued operations		-	-	407	407
(Loss)/ profit before interest, tax, depreciation and amortisation		<b>(1,451)</b>	(2,908)	369	(2,539)
Depreciation and amortisation	4	<b>(1,429)</b>	(8,945)	(146)	(9,091)
<b>Operating (loss)/ profit</b>		<b>(2,880)</b>	(11,853)	223	(11,630)
Net interest payable	3	<b>(1,445)</b>			(1,339)
<b>Loss on ordinary activities before taxation</b>	4	<b>(4,325)</b>			(12,969)
Taxation on loss from ordinary activities	7	-			(2,412)
<b>Loss on ordinary activities after taxation</b>		<b>(4,325)</b>			(15,381)
Retained losses at 1 January		<b>(15,381)</b>			-
<b>Retained losses at 31 December</b>		<b>(19,706)</b>			(15,381)

All recognised gains and losses are included in the profit and loss account.

All results in 2015 were from continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

# Humberts Limited

## Balance sheet at 31 December 2015

<i>Company number 06522558</i>	<i>Note</i>	<b>2015 £'000</b>	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2014 £'000</b>
<b>Fixed assets</b>					
Intangible fixed assets	8		<b>3,489</b>		<b>4,669</b>
Tangible assets	9		<b>461</b>		<b>398</b>
			<b>3,950</b>		<b>5,067</b>
<b>Current assets</b>					
Debtors	9	<b>1,513</b>		<b>1,628</b>	
Cash at bank and in hand		<b>35</b>		<b>51</b>	
		<b>1,548</b>		<b>1,679</b>	
<b>Creditors: amounts falling due within one year</b>	11	<b>(1,197)</b>		<b>(1,374)</b>	
<b>Net current assets</b>			<b>351</b>		<b>305</b>
<b>Total assets less current liabilities</b>			<b>4,301</b>		<b>5,372</b>
<b>Creditors: amounts falling due after more than one year</b>	12		<b>(23,457)</b>		<b>(19,926)</b>
<b>Provisions for liabilities</b>	13		<b>(550)</b>		<b>(827)</b>
<b>Net liabilities</b>			<b>(19,706)</b>		<b>(15,381)</b>
<b>Capital and reserves</b>					
Called up share capital	15		<b>-</b>		<b>-</b>
Profit and loss account			<b>(19,706)</b>		<b>(15,381)</b>
<b>Shareholders' deficit</b>			<b>(19,706)</b>		<b>(15,381)</b>

The financial statements were approved by the Board of Directors and authorised for issue on 19 December 2016

  
I Westering  
Director

The notes on pages 10 to 23 form part of these financial statements.

# Humberts Limited

## Statement of cash flows for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Operating activities</b>			
Net cash used in operating activities	19	(1,849)	(2,093)
<b>Investing activities</b>			
Interest received		1	2
Receipts from sale of business		43	1,440
Payments to acquire tangible fixed assets		(312)	(164)
Net cash acquired		-	3
<b>Net cash flow from investing activities</b>		(268)	1,280
<b>Financing activities</b>			
Other interest paid		-	(3)
Proceeds from new borrowings		2,101	1,273
Repayment of borrowings		-	(407)
<b>Net cash flow from financing activities</b>		2,101	863
<b>(Decrease)/increase in cash and cash equivalents</b>		(16)	51
Cash and cash equivalents at 1 January 2015		51	-
<b>Cash and cash equivalents at 31 December 2015</b>		<b>35</b>	<b>51</b>

The notes on pages 10 to 23 form part of these financial statements.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015

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### 1 Accounting policies

#### *General information and basis of accounting*

Humberts Limited ("the Company") is a limited company domiciled and incorporated in the United Kingdom under the Companies Act. The address of the registered office and the nature of the Company's operations and its principal activities are set out in the Company Information on page 1.

These financial statements have been prepared under the historical cost convention and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The following principal accounting policies have been applied consistently throughout the year and the preceding year:

#### *Going concern*

In preparing the accounts on the going concern basis the directors have considered the company and the company's net liabilities.

All of the company's funding has been provided by its parent. The directors have received an undertaking that borrowings from the parent will not be recalled for a period in excess of 12 months following the approval date of these financial statements and that the parent company will provide all funding necessary for the company to meet its liabilities and day to day working capital requirements over that period. Consequently, the directors have concluded that, on the basis of its budgets and forecasts and the support from the parent undertaking noted above, it is appropriate to prepare these financial statements on a going concern basis.

#### *Functional and presentational currencies*

The financial statements are presented in sterling which is also the functional currency of the company.

#### *Business combinations*

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

#### *Contingent consideration*

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date.

#### *Provisional fair values*

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 1 Accounting policies (*continued*)

#### *Turnover*

Turnover is recognised at the fair value of the consideration received or receivable for provision of services to external customers in the ordinary nature of the business. Turnover is shown net of Value Added Tax.

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect.

Commission earned on sales of residential property is recognised on exchange of contract.

Turnover from contracts for the provision of professional services provided by the company is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is determined by reference to milestones in the contract being achieved and the revenue earned. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

#### *Tangible fixed assets*

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Leasehold property and improvements	-	over term of lease
IT equipment	-	over 3 to 4 years
Office equipment	-	over 3 to 4 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replaced parts or remaining carrying amounts of previous inspections are then derecognised. All other costs of repairs and maintenance are charged to profit or loss as incurred.

#### *Goodwill*

Goodwill arising on the acquisition of the business is capitalised and written off evenly over 5 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

#### *Intangible fixed assets other than goodwill*

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, there is no evidence of exchange transactions for the same or similar assets and estimating fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Intangible fixed assets other than goodwill (continued)*

amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Customer lifts	-	1 to 5 years
Brand	-	20 years (presumed life as the directors are unable to make a reliable estimate of the useful life)

The useful life of customers is determined by the life of their contract, where such contracts exist. Where no contract exists, a reliable estimate is made.

Amortisation is revised prospectively for any significant change in useful life or residual value.

#### *Impairment of fixed assets*

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit and loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

#### *Taxation*

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Taxation (continued)*

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Leases*

Operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

#### *Short term and retirement benefits*

##### *Defined contribution plans*

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### *Holiday pay*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### *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, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *Financial assets*

##### *Trade debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Trade debtors (continued)*

Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

#### *Financial liabilities and equity*

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual in the assets of the Company after deducting all of its liabilities.

#### *Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

#### *Trade creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

#### *Onerous leases*

Provisions are made against operating leases where the unavoidable cost of meeting the lease obligations exceeds the economic benefits received.

#### *Critical accounting estimates and areas of judgement*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions 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 discussed below.

An estimate has been made for the provision of dilapidation on properties. When assessing the amount of the obligation, management has carefully considered factors including quotes from landlords and building surveyors, lease end dates and historical experience.

The recoverable amount of goodwill and other intangible assets is based on the higher of its fair value less cost to sell and its value in use which requires estimates in respect of the allocation of goodwill to cash generating units, future cash flow and an appropriate discount rate and the determination of what an appropriate fair value less cost to sale represents.

#### *Critical areas of judgement*

The key inputs identified above relating to the value in use calculations and determination of fair value less cost to sell for the recoverable amount of goodwill and other intangible assets are a matter of judgement based on the historical performance, publically available data concerning market conditions, and current information available to the directors about the business.



# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 2 Turnover

The company's turnover was all undertaken in the United Kingdom.

	2015 £'000	2014 £'000
Analysis by class of business:		
Residential services	5,792	6,943
Rural and commercial	2,433	2,841
Other services	25	458
	<u>8,250</u>	<u>10,242</u>

### 3 Interest payable

	2015 £'000	2014 £'000
Bank interest payable	(9)	-
Other interest payable	(1,437)	(1,341)
Bank interest receivable	1	2
	<u>(1,445)</u>	<u>(1,339)</u>

Within other interest is £1,430,000 (2014 - £1,338,000) in respect of interest payable to the immediate parent company, refer to note 12.

### 4 Loss on ordinary activities before tax

	2015 £'000	2014 £'000
This is arrived at after charging/ (crediting):		
Depreciation - owned assets	249	213
Amortisation and impairment of intangible fixed assets (see note 8)	1,180	8,878
Loss/ (profit) on disposal of operations	17	(407)
Loss on sale of fixed assets	-	4
Other material items	-	1,544
Operating lease rentals:		
- plant and machinery	171	230
- land and buildings	511	597
Auditors' remuneration:		
Audit services - statutory audit	15	24
Tax services:		
- compliance	10	7
- advisory	-	13
	<u></u>	<u></u>

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 5 Employees

	2015 £'000	2014 £'000
Staff costs (including directors) consist of:		
Wages and salaries	4,894	6,452
Social security costs	503	716
Other pension costs	103	174
	<u>5,500</u>	<u>7,342</u>
The average number of employees, including directors, during the year was:	Number	Number
Support and management	14	9
Sales	137	158
	<u>151</u>	<u>167</u>

### 6 Directors

	2015 £'000	2014 £'000
Directors' remuneration consist of:		
Emoluments	255	137
Sums paid to third parties for directors' services	38	34
Money purchase pension contributions	19	6
	<u>312</u>	<u>177</u>

The number of directors to whom retirement benefits are accruing under money purchase pension schemes was 2 (2014 - 2).

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 7 Taxation on loss from ordinary activities

	2015 £'000	2014 £'000
<i>Current tax</i>		
UK corporation tax on loss for the year	-	-
<i>Deferred tax</i>		
Deferred tax for the current year	-	339
Elimination of deferred tax asset acquired	-	2,073
	<hr/>	<hr/>
<b>Tax on loss on ordinary activities</b>	<b>-</b>	<b>2,412</b>
	<hr/>	<hr/>

The tax assessed for the year is higher (2014 – higher) than the standard rate of corporation tax in the UK applied to profit before tax of 20.25% (2014 – 20%). The differences are explained below:

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	<b>(4,325)</b>	(12,969)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2014 - 20%)	<b>(876)</b>	(2,594)
Effects of:		
Expenses not deductible for tax purposes	<b>238</b>	2,333
Capital allowances timing difference not recognised	<b>(15)</b>	25
Group relief surrendered	<b>364</b>	276
Short term timing differences	<b>289</b>	299
Elimination of deferred tax asset acquired	-	2,073
	<hr/>	<hr/>
<b>Tax charge for the year</b>	<b>-</b>	<b>2,412</b>
	<hr/>	<hr/>

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 8 Intangible fixed assets

	Goodwill £'000	Customer lists £'000	Brand £'000	Total £'000
<i>Cost</i>				
At 1 January and 31 December 2015	<b>7,029</b>	<b>3,047</b>	<b>3,325</b>	<b>13,401</b>
<i>Amortisation</i>				
At 1 January 2015	7,029	1,537	166	8,732
Amortised in the year	-	1,014	166	1,180
At 31 December 2015	<b>7,029</b>	<b>2,551</b>	<b>332</b>	<b>9,912</b>
<i>Net book value</i>				
At 31 December 2015	-	<b>496</b>	<b>2,993</b>	<b>3,489</b>
At 31 December 2014	-	1,510	3,159	4,669

The recoverable amount of goodwill and other intangible assets is based on the higher of its fair value less cost to sell and its value in use which requires estimates in respect of the allocation of goodwill to cash generating units, future cash flow and an appropriate discount rate and the determination of what an appropriate fair value less cost to sale represents.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 9 Tangible assets

	Leasehold improvements £'000	IT and office equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2015	241	366	607
Additions	192	120	312
	<hr/>	<hr/>	<hr/>
At 31 December 2015	<b>433</b>	<b>486</b>	<b>919</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2015	96	113	209
Charge in the year	110	139	249
	<hr/>	<hr/>	<hr/>
At 31 December 2015	<b>206</b>	<b>252</b>	<b>458</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2015	<b>227</b>	<b>234</b>	<b>461</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2014	145	253	398
	<hr/>	<hr/>	<hr/>

### 10 Debtors

	2015 £'000	2014 £'000
Due within one year:		
Trade debtors	987	1,049
Other debtors	74	164
Prepayments and accrued income	452	415
	<hr/>	<hr/>
	<b>1,513</b>	<b>1,628</b>
	<hr/>	<hr/>

Trade debtors are stated after provisions for impairment of £108,000 (2014 - £26,000).

All amounts shown under debtors fall due for payment within one year.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 11 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	277	189
Other taxation and social security	431	536
Other creditors	24	30
Accruals and deferred income	465	619
	<hr/>	<hr/>
	1,197	1,374
	<hr/>	<hr/>

### 12 Creditors: amounts falling due after more than one year

#### Amounts owed to parent undertaking:

	2015 £'000	2014 £'000
As at 1 January	19,926	-
Acquisitions	-	17,722
Increase in borrowing	2,101	1,273
Repayments	-	(407)
Interest payable	1,430	1,338
	<hr/>	<hr/>
At 31 December	23,457	19,926
	<hr/>	<hr/>

The amounts owed to the parent undertaking are unsecured and have no specific repayment date. Interest is charged at a fixed rate of 10% on £16,410,000 (2014 - £14,036,000) of the loans, with the remainder being interest free. The company has been provided with an assurance that this balance will not be recalled within 12 months of the year end and therefore, the amount due has been treated as a long term creditor.

In the prior year £1,338,000 of interest payable was included in accruals and deferred income. This has been reclassified to intercompany to more accurately reflect the substance of the balance.

All parent company loans have been stated at amortised cost.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 13 Provisions for liabilities

	Insurance claims £'000	Vacant properties £'000	Dilapidation on properties £'000	Total £'000
At 1 January 2015	75	162	590	827
Charged during the year	8	53	146	207
Utilised in year	-	(74)	(117)	(191)
Release of unused amounts	(75)	-	(218)	(293)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	<b>8</b>	<b>141</b>	<b>401</b>	<b>550</b>
	<hr/>	<hr/>	<hr/>	<hr/>

#### Deferred taxation

The deferred tax asset is made up as follows:

	2015 £'000	2014 £'000
Unprovided deferred tax assets:		
Fixed asset timing differences	51	25
Short term timing differences	506	299
Tax losses	1,568	1,749
	<hr/>	<hr/>
	<b>2,125</b>	<b>2,073</b>
	<hr/>	<hr/>

The potential deferred tax is unprovided as the timing of recovery is uncertain.

During the prior period, the Finance Act 2015 was enacted and included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015 and by a further 2%, reaching 18%, with effect from 1 April 2020. As this change was substantively enacted at the balance sheet date and no material amount is expected to unwind prior to 1 April 2016, the unprovided deferred tax is calculated at 18% in the current period.

### 14 Pension commitments

The company operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company in respect of the year and amounted to £103,000 (2014 - £174,000). At 31 December 2015 £15,000 (2014 - £30,000) was outstanding.

# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 15 Share capital

	2015 £'000	2014 £'000
<i>Allotted, called up and fully paid</i>		
1,000,000 (2014 - 2) ordinary shares of £0.000002 each (2014 - £1 each)	2	2

During the year, each of the issued ordinary shares of £1 were subdivided into 500,000 shares of £0.000002.

### 16 Commitments under operating leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £'000	2014 £'000
Not later than 1 year	844	508
Later than 1 year and not later than 5 years	1,976	1,483
Later than 5 years	486	744
Total	3,306	2,735

### 17 Related party disclosures

Chesterton Global Limited, a company under common control, continued to incur costs on behalf of the company and its operations. These costs included staff costs, office running costs and other costs of sales or other operating costs and were recharged to Humberts Limited during the year. In addition, Humberts Limited was charged management fees for shared central costs and management services as noted below:

	2015 £'000	2014 £'000
Costs incurred and recharged	875	2,841
Management fees	472	1,369
	1,347	4,210

The two companies share a number of key supplier contracts and operating leases including for properties occupied by the company but for which the leases are in the name of Chesterton Global Limited.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £536,000 (2014 - £779,000).



# Humberts Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 18 Capital commitments

Capital expenditure contracted for at 31 December 2015 but not yet incurred was £nil (2014 - £45,000).

### 19 Reconciliation of operating profit to net cash inflow from operating activities

	2015 £'000	2014 £'000
Loss after tax	(4,325)	(15,381)
Depreciation	249	213
Loss/ (profit) on sale of operations	17	(407)
Loss on the sale of tangible fixed assets	-	4
Net interest payable	1,445	1,339
Deferred tax asset written off	-	2,412
Amortisation of intangible assets	1,180	8,878
Decrease in debtors	56	24
(Decrease)/ increase in creditors	(471)	825
	<hr/>	<hr/>
Net cash outflow from operating activities	(1,849)	(2,093)
	<hr/>	<hr/>

### 20 Contingent liabilities

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating undertakings' unpaid debt in this connection. The total liability for VAT in this arrangement was £1 million at 31 December 2015 (2014 - £1.3m).

### 21 Ultimate parent company

At the year end, the company's immediate parent company was Chesterton Global Limited (company registered in the British Virgin Islands), and its ultimate parent company was Mercantile company Limited (company registered in the Cayman Islands).

The ultimate controlling party was Rawlinson Hunter SA as trustees of The Grove Trust.

### 22 Events after the end of the reporting period

On 28 September 2016, Chesterton Global Limited BVI (a company registered in the British Virgin Islands) sold its interest in Humberts Limited to Humberts BVI (a company registered in the British Virgin Islands). However, the company's ultimate ownership has not changed (see note 21).