

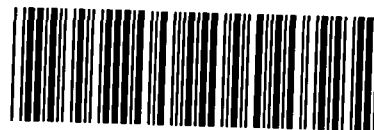
idverde UK Limited

**Annual report and consolidated
financial statements**

Registered number 06539986

For the year ended 31 December 2017

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Strategic report

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

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

On 31 May 2017, the group acquired from the Administrator certain assets of Land Engineering (Scotland) Limited a Scottish based grounds maintenance, landscape construction business and civil engineering business. This supported idverde's objective to achieve a greater geographical coverage in Scotland. To that end, following the acquisition of the assets, idverde was able to secure a number of former Land Engineering clients. This provided seamless continuity for the client base whilst retaining as much of the workforce as was sustainably possible.

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

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

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

A key emphasis at idverde is its engagement with colleagues and their continuous development. The group continues its investment to attract, develop and retain colleagues who are proud to work for idverde and can have a positive impact on the group's service delivery to its clients.

Profit improved during the year compared to the year ended 31 December 2016. This has been achieved against a continued background of client spending cuts within the public sector. This reaffirms management's ability to help its clients achieve their financial objectives at the same time as continuing to grow the profitability of idverde.

idverde delivered strong results for the year with adjusted EBITDA of £11.2 million, 10.6% of turnover (*2016: £9.1 million, 10.8% of turnover*).

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

- South London Waste Partnership (SLWP) contract partnering with the London Boroughs of Merton and Sutton to deliver grounds maintenance, cemetery, sports and event services, commencing February 2017, for an initial period of 8 years until January 2025, with two further 8 year extension periods to January 2041.
- London Borough of Camden contract providing grounds maintenance services commencing in April 2017 for an initial 5 year period with a 3 year extension option.

Following the new business won in the year, the Group has a forward order book on grounds maintenance of £570 million (year ended 31 December *2016: £552 million*), including available extension periods totalling £270 million. The bid pipeline remains healthy, with a number of significant tenders in the pipeline for 2018. The most notable tender prospect was secured in February 2018. This was a 10 plus 10 year grounds maintenance contract for Northampton Borough Council working in partnership with Veolia.

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

Strategic report *(continued)*

Key performance indicators (“KPIs”)

	2017	2016	Commentary
Turnover £m	105.8	84.3	Group turnover increased in the year due to expansion into the Scottish market along with full year run rate for 2016 acquisitions.
Adjusted EBITDA £m*	11.2	9.1	Group EBITDA increased in the year due to expansion into the Scottish market along with full year run rate for 2016 acquisitions.
Adjusted EBITDA margin %	10.6	10.8	Adjusted EBITDA margin % is the ratio of adjusted EBITDA compared to turnover. The ratio for December 2017 was in line with prior year.
Grounds Maintenance order book £m	570	552	The Group has increased the term order book, providing solid future revenue generation beyond 2025. Note the prior year order book has been restated (from £581m) to correctly reflect the Camden contract.

* Adjusted EBITDA is defined as follows:

	2017 £000	2016 £000
Operating profit	3,422	1,649
Add back:		
Depreciation	4,310	3,510
Non-underlying costs	798	2,040
Investors’ fees/management charges	1,129	602
Amortisation	1,519	1,294
Adjusted EBITDA	11,178	9,095

Strategic report *(continued)*

Financial risk management

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

Price Risk

idverde is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Credit Risk

idverde has implemented policies that require appropriate credit checks on potential customers before sales are made. The Group operates credit insurance for significant private sector transactions.

Liquidity Risk

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

Business risk

idverde regularly assesses risks that impact on the business. This includes our processes and procedures in relation to quality and health and safety. idverde has maintained its full accreditation for ISO9001, ISO14001 and OHSAS18001. As part of our Integrated Management System, idverde conducts regular risk assessments and audits with management committed to improving controls and processes. idverde's Board regularly reviews such risk assessments together with related health and safety matters. All of the key indicators showed an improving trend throughout the year. During the year, idverde continued its training programme for managers to undertake NEBOSH and IOSH training courses. As at the year-end two managers held the NEBOSH National Diploma qualification in Occupational Safety and Health and another the iema Associate Certificate in Environmental Management. 31 directors and managers are qualified to NEBOSH certificate level with a programme in 2018/19 to train a further 6 senior managers. idverde also has a policy of ensuring that every operational manager is qualified to IOSH level and has a continuous training programme to maintain this with new employees and as new managers join at new contracts. As at 31 December 2017, there were 156 employees who had attained the IOSH Managing Safely qualification during the past five years with a plan to train or refresh this course for an additional 90 colleagues during 2018/19. 20 managers hold the CITB Site Managers Safety Certificate, with 11 Supervisors holding the Site Supervisor's equivalent.

By order of the Board



D J Graham
Chief Executive Officer

14 September 2018

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit and loss account is set out on page 9.

During the year, dividends of £Nil (2016: £Nil) were accrued, but not paid, in respect of amounts due to the preference shareholders.

The directors have not recommended a dividend on the ordinary shares.

Employment of disabled persons

Full and fair consideration is given to all applications for employment.

Employee involvement

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

During the period, two graduates joined the Greener Graduate programme and 1 person joined to take part in the newly created sponsored student programme; studying full time for a BSc Honours in Ecology & Conservation. Upon graduating this person will join the Greener Graduate scheme as a career path towards management. The leadership development programmes have continued to evolve during the period with 3 managers completing the Accelerated Leadership Programme (ALP) and 6 managers completing the Management Development Programme (MDP), with another 24 scheduled to start in the next financial year.

The ALP and MDP programmes enable the Group to develop the management of people within the business. These programmes educate and guide managers in leadership styles, their own work preferences, the impact of their management on others and the link between good quality leadership, employee engagement and performance.

Training and up-skilling amongst operatives has been delivered through the continuation of offering Work Based Diplomas in 12 industry specific frameworks, with 130 operatives completing a Level 2 or 3 qualification during the period. The aim of apprentices representing 5% of permanent headcount has progressed, with 31 apprentices at the end of the financial period, all of whom upon successful completion will be considered for permanent positions.

Directors

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

N Temple-Heald

D J Graham

H Lancon FR

E Faivre D'Arcier FR

S Hughes-Clarke

J E Rhodes (appointed 31 August 2017)

A K Gomm (appointed 1 October 2017)

Disclosure of information to auditor

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

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board


D J Graham
Chief Executive Officer

Landscapes House
3 Rye Hill Office Park
Birmingham Road
Allesley
Coventry
CV5 9AB

14 September 2018

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

The directors are responsible for preparing the Annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

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



KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

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

Opinion

We have audited the financial statements of idverde UK Limited ("the company") for the year ended 31 December 2017 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, Company balance sheet, Company statement of changes in equity and related notes, including the accounting policies in note 1.

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 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 September 2018

Consolidated Income Statement
for the year ended 31 December 2017

	<i>Note</i>	Underlying £000	2017 * Non- underlying £000	Total £000	Underlying £000	2016 * Non- underlying £000	Total £000
Turnover	2	105,807	-	105,807	84,335	-	84,335
Cost of sales		(92,830)	(660)	(93,490)	(67,223)	-	(67,223)
Gross profit		12,977	(660)	12,317	17,112	-	17,112
Administrative expenses	6	(8,757)	(138)	(8,895)	(13,423)	(2,040)	(15,463)
Operating profit	3,4	4,220	(798)	3,422	3,689	(2,040)	1,649
Finance expenses	7	(1,617)	-	(1,617)	(1,562)	-	(1,562)
Net financing expense		(1,617)	-	(1,617)	(1,562)	-	(1,562)
Negative goodwill arising on business combination	3	-	660	660	-	-	-
Profit before taxation		2,603	(138)	2,465	2,127	(2,040)	87
Taxation	8	(944)	-	(944)	(262)	51	(211)
Profit/(loss) for the financial year		1,659	(138)	1,521	1,865	(1,989)	(124)

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

All amounts relate to continuing activities.

The notes on pages 14 to 44 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Profit/(loss) for the year		1,521	(124)
Other comprehensive income		1,521	(124)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit liability	17	1,630	(2,430)
Income tax on items that will not be reclassified to profit or loss		(277)	415
Other comprehensive income/(loss) for the period, net of income tax		1,353	(2,015)
Total comprehensive income/(loss) for the year		2,874	(2,139)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet at 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	9	12,646	10,875
Intangible assets	10	31,524	33,043
Deferred tax assets	12	1,260	1,712
		<hr/> 45,430 <hr/>	<hr/> 45,630 <hr/>
Current assets			
Inventories	13	191	152
Trade and other receivables	14	18,049	14,938
Cash and cash equivalents		5,059	5,293
		<hr/> 23,299 <hr/>	<hr/> 20,383 <hr/>
Total assets		<hr/> 68,729 <hr/>	<hr/> 66,013 <hr/>
Current liabilities			
Trade and other payables	15	(20,639)	(19,875)
Other interest-bearing loans and borrowings	16	(3,672)	(2,986)
Provisions	18	(1,137)	(1,198)
		<hr/> (25,448) <hr/>	<hr/> (24,059) <hr/>
Non-current liabilities			
Other interest-bearing loans and borrowings	16	(19,340)	(19,088)
Employee benefits	17	(3,641)	(5,787)
Provisions	18	(4,576)	(4,229)
		<hr/> (27,557) <hr/>	<hr/> (29,104) <hr/>
Total liabilities		<hr/> (53,005) <hr/>	<hr/> (53,163) <hr/>
Net assets		<hr/> 15,724 <hr/>	<hr/> 12,850 <hr/>
Equity attributable to equity holders of the parent			
Share capital	19	16,721	16,721
Share premium		15,837	15,837
Retained earnings		(16,834)	(19,708)
Total equity		<hr/> 15,724 <hr/>	<hr/> 12,850 <hr/>

The notes on pages 14 to 44 form an integral part of these financial statements

These financial statements were approved by the Board of directors on 14 September 2018 and were signed on its behalf by:



J E Rhodes
Director

Company registered number: 6539986

Consolidated Statement of Changes in Equity
for year ended 31 December 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	7,958	15,837	(17,569)	6,226
Total comprehensive income for the period				
Loss for the year	-	-	(124)	(124)
Other comprehensive loss	-	-	(2,015)	(2,015)
Total comprehensive loss for the year	-	-	(2,139)	(2,139)
Shares issued	8,763	-	-	8,763
Balance at 31 December 2016	16,721	15,837	(19,708)	12,850
Balance at 1 January 2017	16,721	15,837	(19,708)	12,850
Total comprehensive income for the period				
Profit for the year	-	-	1,521	1,521
Other comprehensive income	-	-	1,353	1,353
Total comprehensive income for the year	-	-	2,874	2,874
Shares issued	-	-	-	-
Balance at 31 December 2017	16,721	15,837	(16,834)	15,724

The notes on pages 14 to 44 form an integral part of these financial statements.

Consolidated Cash Flow Statement for year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Cash flows from operating activities			
Profit/(loss) for the period		1,521	(124)
Adjustments for:			
Depreciation of property, plant and equipment	4	4,310	3,510
Financial expense	7	1,617	1,562
Gain on sale of property, plant and equipment	4	(17)	(33)
Amortisation	10	1,519	1,294
Taxation		944	211
		<hr/>	<hr/>
		9,894	6,420
Increase in trade and other receivables	14	(2,742)	(620)
(Increase)/decrease in inventories	13	(14)	18
Increase in trade and other payables	15	881	3,118
(Decrease)/increase in employee benefits	17	(668)	3
		<hr/>	<hr/>
		7,351	8,939
Interest received		(3)	-
Interest paid		(564)	(900)
Tax recovered/(paid)		(551)	(744)
		<hr/>	<hr/>
Net cash from operating activities		6,233	7,295
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		206	138
Acquisition of property, plant and equipment	9	(1,233)	(1,373)
Acquisition of trading assets/subsidiary	3	(1,075)	(17,662)
		<hr/>	<hr/>
Net cash from investing activities		(2,102)	(18,897)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from the issue of share capital		-	8,763
Proceeds from new loan	16	-	8,936
Payment of finance lease liabilities	16	(2,874)	(2,201)
Loans repaid		(1,491)	(3,949)
		<hr/>	<hr/>
Net cash from financing activities		(4,365)	11,549
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(234)	(53)
Cash and cash equivalents at start of period		5,293	5,346
		<hr/>	<hr/>
Cash and cash equivalents at end of period		5,059	5,293
		<hr/>	<hr/>

The notes on pages 14 to 44 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

idverde UK Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 6539986 and the registered address is Landscapes House, 3 Rye Hill Office Park, Birmingham Road, Allesley, Coventry CV5 9AB.

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

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 45 to 51.

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.19.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis with the exception of pension scheme assets which are stated at fair value.

1.2 Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 3. The financial position of the Group is set out in the Consolidated Balance Sheet on page 11 and its cash flows in the Consolidated Cash Flow Statement on page 13. Details of the Group’s borrowings and financial instruments are set out in note 16 on page 32 and page 33 in note 20 on page 40.

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

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

1.3 Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

Notes (continued)

1 Accounting policies (continued)

1.4 Foreign currency

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

1.5 Revenue

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

1.6 Classification of financial instruments issued by the Group

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

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

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

1.7 Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Notes (continued)

1 Accounting policies (continued)

1.8 Property, plant and equipment

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

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

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

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

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

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

1.9 Intangible assets and goodwill

Goodwill

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

Other intangible assets

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

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

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer contracts 8 years

1.10 Business combinations

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus

Notes (continued)

1 Accounting policies (continued)

1.10 Business combinations (continued)

- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

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

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

1.11 Construction contract debtors

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

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

1.12 Inventories

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

1.13 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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

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

Non-financial assets

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

Notes (continued)

1 Accounting policies (continued)

1.13 Impairment excluding inventories and deferred tax assets (continued)

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

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

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

1.14 Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.15 Expenses

Operating lease payments

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

Finance lease payments

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

Financing income and expenses

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

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

1.16 Taxation

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

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

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

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

1.17 Provisions

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

1.18 Adopted IFRS not yet adopted

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018).
- IFRS 16 Leases (effective date 1 January 2019).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed).

Notes (continued)

1 Accounting policies (continued)

1.18 Adopted IFRS not yet adopted (continued)

- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date to be confirmed).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date to be confirmed).

The Group has performed initial assessments on the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements but has not yet completed its detailed assessment. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on these initial assessments and is not expected to be material.

1.19 Significant accounting estimates and judgements

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

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

Significant management judgements

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

Consolidation

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

Significant estimates

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

Receivables

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

Useful lives of depreciable assets

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

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

Notes (continued)

1 Accounting policies (continued)

1.19 Significant accounting estimates and judgements (continued)

Business combinations

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

Fair value measurement

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

Deferred tax asset

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

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

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

2 Revenue

	2017 £000	2016 £000
Grounds maintenance	92,005	75,405
Landscape construction	13,802	8,930
	<hr/> 105,807 <hr/>	<hr/> 84,335 <hr/>

Turnover arises solely within the United Kingdom.

Notes (continued)

3 Acquisitions of subsidiaries

Acquisitions in the current period

On 30 May 2017, idverde Limited acquired certain trading assets of Land Engineering (Scotland) Limited for £1,075,000, satisfied in cash. The company operates three business streams: projects, pre-planned maintenance and responsive works. Through each of these business streams the company's activities/disciplines include; civil engineering, traditional hard and soft landscaping, natural stone paving and public realm development, masonry, grounds maintenance and winter services. These activities are provided through competitive tendering to both the commercial private sector and the public sector including local authorities. This strategic acquisition provides the group with a compelling diversity of service provision to its Local Authority clients and private commercial clients who require national coverage to service their assets with skilled directly employed idverde colleagues. In the seven months to 31 December 2017 the impact of the trading assets contributed net profit of £852,000 to the consolidated net profit for the year. If the acquisition had occurred on first day of accounting period, Group revenue would have been an estimated £118,660,000 and net profit would have been an estimated £3,317,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on first day of accounting period.

Effect of acquisition

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

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	631
Inventories	25
Trade and other receivables	1,079
	<hr/>
Net identifiable assets and liabilities	1,735
	<hr/>
Consideration paid:	
Initial cash price paid	1,075
	<hr/>
Total consideration	1,075
	<hr/>
Negative goodwill arising on business combination	660
	<hr/>

Negative goodwill has arisen on the acquisition because of a bargain purchase on the trading assets of Land Engineering (Scotland) Limited. This has been disclosed in the consolidated income statement.

Acquisition related costs

The group incurred acquisition related cost of £357,000 related to the legal and professional services rendered into the acquisition of the trading assets of Land Engineering (Scotland) Limited. These costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

Acquired receivables

The fair value of acquired receivables was £1,055,000. The gross contractual amounts receivable are £348,000.

Notes (continued)

3 Acquisitions of subsidiaries (continued)

Acquisitions in the prior period

On 17 February 2016, the Group acquired all of the ordinary shares in Pfeiffer Holdings Limited for £18,108,000, satisfied by a combination of cash and shares in group companies. The company is a leading provider of specialist clean and green services, delivering grounds management, arboriculture, and cleansing. This strategic acquisition provides the group with a compelling diversity of service provision to its Local Authority clients and private commercial clients who require national coverage to service their assets with skilled directly employed idverde colleagues. In the 10 months to 31 December 2016 the subsidiary contributed net profit of £1,300,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2016, Group revenue would have been an estimated £89,400,000 and net profit would have been an estimated £1,800,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2016.

Effect of acquisition

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

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	6,148
Property, plant and equipment	4,696
Inventories	21
Trade and other receivables	4,667
Cash and cash equivalents	446
Deferred tax	411
Trade and other payables	(10,932)
Pension liabilities	(3,137)
Other provisions	(4,229)
	<hr/>
Net identifiable assets and liabilities	(1,909)
	<hr/>
Consideration paid:	
Initial cash consideration relating to business combination	15,818
Contingent consideration at fair value	800
Deferred consideration at fair value	1,440
Other consideration	50
	<hr/>
Total consideration	18,108
	<hr/>
Goodwill arising on acquisition	20,017
	<hr/>

The recognition of goodwill is underpinned by the extensive forward order book in place for Pfeiffer at the time of the acquisition.

Contingent consideration

The group has agreed to pay the vendors additional consideration of up to £500,000 if the actuarial valuation for the Defined Benefit Pension Scheme evidences that the deficit is between £4,500,000 and £5,000,000. The group has included £500,000 as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date.

Notes (continued)

3 Acquisitions of subsidiaries (continued)

Fair values determined on a provisional basis

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

The group incurred acquisition related costs of £2,040,000 related to bank finance fees, the cost of due diligence and legal expenses. These costs have been included in non-underlying administrative expenses in the group's consolidated statement of comprehensive income.

Acquired receivables

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

4 Expenses and auditor's remuneration

Included in profit/(loss) are the following:

	2017 £000	2016 £000
Amortisation on other intangible assets	1,519	1,294
Depreciation of property, plant and equipment	4,310	3,510
Profit on sale of property, plant and equipment	(17)	(33)
Operating lease rentals:		
Plant and machinery	2,573	2,450
Other assets	959	906
	<u> </u>	<u> </u>

Auditor's remuneration:

Audit of these financial statements	36	36
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Amounts receivable by the company's auditor and its associates in respect of:

Audit of financial statements of subsidiaries of the company	54	50
Taxation compliance services	25	65
All other services	174	157
	<u> </u>	<u> </u>

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

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2017	2016
Administrative staff	137	104
Field operational including managers	1,926	1,840
Executive and non-executive directors	5	4
	<u>2,068</u>	<u>1,948</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	48,017	37,955
Social security costs	4,111	3,073
Contributions to defined contribution plans	577	324
Expenses related to defined benefit plans	1,529	1,110
	<u>54,234</u>	<u>42,462</u>

Remuneration of directors

	2017 £000	2016 £000
Directors' remuneration	824	699
Company contributions to defined contribution pension plan	18	16
	<u>842</u>	<u>715</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £229,000 (2016: £225,000), and Company pension contributions of £1,000 (2016: £9,000) were made to a defined contribution pension plan on his behalf.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	5	3
	<u>5</u>	<u>3</u>

6 Non-underlying items

In the year ended 31 December 2017, the Group incurred £138,000 (2016: £2,040,000) of costs relating to the integration of Quadron Services Limited and the trading assets acquired from Land Engineering (Scotland) Limited into the idverde business.

Notes (continued)

7 Finance expenses

	2017 £000	2016 £000
Finance expense		
Loans and other financial expenses	1,465	1,554
Net interest on defined benefit plan obligation	152	8
	<hr/>	<hr/>
Finance expense	1,617	1,562
	<hr/>	<hr/>

8 Taxation

Recognised in the income statement

	2017 £000	2016 £000
<i>Current tax expense</i>		
UK corporation tax	375	569
Adjustments in respect of prior years	394	(40)
	<hr/>	<hr/>
Current tax expense	769	529
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	124	(261)
Rate change	-	67
Adjustments in respect of prior periods	51	(124)
	<hr/>	<hr/>
Deferred tax charge/(credit)	175	(318)
	<hr/>	<hr/>
Total tax charge	944	211
	<hr/>	<hr/>

Income tax recognised in other comprehensive income

	2017 £000	2016 £000
Remeasurement of defined benefit liability	277	(415)
	<hr/>	<hr/>
	277	(415)
	<hr/>	<hr/>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit/(loss) for the year	1,521	(124)
Total tax charge	944	211
	<hr/>	<hr/>
Profit excluding taxation	2,465	87
	<hr/>	<hr/>
Tax using the UK corporation tax rate at 19.25% (2016: 20%)	475	17
Fixed assets differences	19	17
Effect of change in tax rate	(51)	83
Expenses not deductible for tax purposes	57	257
Other tax adjustments, reliefs and transfers	-	1
Movements in deferred tax not recognised	(1)	-
Adjustments to tax charge in respect of prior periods	445	(164)
	<hr/>	<hr/>
Total tax charge	944	211
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

Notes (continued)

9 Property, plant and equipment

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 January 2016	168	432	12,379	1,198	1,241	15,418
Additions	-	136	2,813	211	716	3,876
Disposals	-	(13)	(2,059)	(183)	(1,172)	(3,427)
Acquired	-	-	9,149	661	6,315	16,125
Balance at 31 December 2016	168	555	22,282	1,887	7,100	31,992
Balance at 1 January 2017	168	555	22,282	1,887	7,100	31,992
Additions	41	8	3,982	168	1,455	5,654
Disposals	-	(46)	(2,851)	(177)	(1,079)	(4,153)
Acquired	-	-	607	-	24	631
Balance at 31 December 2017	209	517	24,020	1,878	7,500	34,124
Depreciation and impairment						
Balance at 1 January 2016	26	122	7,965	565	821	9,499
Depreciation charge for the period	4	79	2,522	330	575	3,510
Disposals	-	(13)	(2,036)	(144)	(1,127)	(3,320)
Acquired	-	-	6,559	511	4,358	11,428
Balance at 31 December 2016	30	188	15,010	1,262	4,627	21,117
Balance at 1 January 2017	30	188	15,010	1,262	4,627	21,117
Depreciation charge for the period	4	89	3,126	369	722	4,310
Disposals	-	(36)	(2,736)	(167)	(1,010)	(3,949)
Balance at 31 December 2017	34	241	15,400	1,464	4,339	21,478
Net book value						
At 31 December 2015 and 1 January 2016	142	310	4,414	633	420	5,919
At 31 December 2016 and 1 January 2017	138	367	7,272	625	2,473	10,875
At 31 December 2017	175	276	8,620	414	3,161	12,646

At 31 December 2017, the net carrying amount of leased plant and machinery and motor vehicles was £9,591,000 (2016: £7,485,000). The related depreciation charge on these assets for the period was £2,716,000 (2016: £1,934,000). The leased equipment and motor vehicles secures leased obligations (see note 16).

Notes (continued)

10 Intangible assets

	Customer contracts £000	Goodwill £000	Total £000
Cost			
Balance at 1 January 2017 and 31 December 2017	6,148	35,342	41,490
Amortisation and impairment			
Balance at 1 January 2017	1,294	7,153	8,447
Amortisation for the year	1,519	-	1,519
Balance at 31 December 2017	2,813	7,153	9,966
Net book value			
At 31 December 2016	4,854	28,189	33,043
At 31 December 2017	3,335	28,189	31,524

Impairment

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

An impairment test in a comparison of the carrying value of the assets of the business or CGU to their recoverable amount. The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. Where recoverable amount is less than carrying value, an impairment results. During the period, all goodwill was tested for impairment, with no impairment charge resulting (2016: *No impairment*).

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

Key assumptions

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

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

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

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

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

Notes (continued)

11 Investments in subsidiaries

The Company has the following investments in subsidiaries:

Company	Country of incorporation	Principal activity	Proportion of shares held %	Class of shares held
idverde Holdings Limited	England and Wales	Holding company	100	Ordinary
Banyards Limited *	England and Wales	Dormant	100	Ordinary
Western Landscapes Limited *	England and Wales	Dormant	100	Ordinary
idverde Limited **	England and Wales	Grounds maintenance and landscape construction projects	100	Ordinary
English Landscapes Maintenance Limited *	England and Wales	Dormant	100	Ordinary
English Landscapes Limited *	England and Wales	Dormant		
English Woodlands Limited *	England and Wales	Dormant	100	Ordinary
Pfeiffer Holdings Limited **	England and Wales	Dissolved on 17 April 2018	100	Ordinary
Pfeiffer Limited **	England and Wales	Dissolved on 12 September 2017	100	Ordinary
Quadron Services Limited **	England and Wales	Grounds maintenance	100	Ordinary
Blythe Valley Limited ***	England and Wales	Arboriculture services	100	Ordinary
idverde Scotland Limited* (*)	Scotland	Dormant	100	Ordinary

* owned by idverde Limited

** owned by idverde Holdings Limited

*** owned by Quadron Services Limited

The registered office for the companies registered in England and Wales are Landscapes House, 3 Rye Hill Office Park, Birmingham Road, Allesley, Coventry CV5 9AB.

(*) The registered office for idverde Scotland Limited is 3 Cambuslang Court, Glasgow, Scotland, G32 8FH.

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017	2016	2017	2016
	£000	£000	£000	£000
Intangible assets	634	922	-	-
Tangible fixed assets	(866)	(845)	-	-
Short term provisions	(180)	(278)	-	-
Employee benefits	(898)	(1,561)	-	-
Losses	(27)	(27)	-	-
Deferred tax asset not recognised	77	77	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Tax assets	(1,260)	(1,712)	-	-
Net of tax liabilities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	(1,260)	(1,712)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	1 January 2017 £000	Recognised in income £000	Recognised in equity £000	31 December 2017 £000
Intangible assets	922	(288)	-	634
Tangible fixed assets	(845)	(21)	-	(866)
Short term provisions	(278)	98	-	(180)
Employee benefits	(1,561)	386	277	(898)
Losses	(27)	-	-	(27)
Deferred tax asset not recognised	77	-	-	77
	<u>(1,712)</u>	<u>175</u>	<u>277</u>	<u>(1,260)</u>

Movement in deferred tax during the prior year

	1 January 2016 £000	Recognised in income £000	Recognised in equity £000	Acquired in business combination £000	31 December 2016 £000
Intangible assets	-	(246)	-	1,168	922
Tangible fixed assets	(578)	(93)	-	(174)	(845)
Short term provisions	(11)	39	-	(306)	(278)
Employee benefits	21	(68)	(415)	(1,099)	(1,561)
Losses	-	(27)	-	-	(27)
Deferred tax asset not recognised	-	77	-	-	77
	<u>(568)</u>	<u>(318)</u>	<u>(415)</u>	<u>(411)</u>	<u>(1,712)</u>

At the Statement of Financial Position date, the Group has unused capital losses in the UK of £Nil (2016: £Nil) available for offset against future chargeable gains. No deferred tax asset is recognised in respect of this amount.

13 Inventories

	2017 £000	2016 £000
Raw materials and consumables	<u>191</u>	<u>152</u>

Raw materials, consumables recognised as cost of sales in the period amounted to £8,974,000 (2016: £4,650,000).

Notes (continued)

14 Trade and other receivables

	2017 £000	2016 £000
Receivables due from parent undertaking	1,220	1,220
Trade receivables	9,337	8,350
Amounts recoverable on contracts	1,031	1,220
Other receivables	173	133
Corporation tax	-	51
Prepayments and accrued income	6,288	3,964
	<u>18,049</u>	<u>14,938</u>

15 Trade and other payables

	2017 £000	2016 £000
Trade creditors	6,067	3,995
Amounts owed to group undertakings	1,648	75
Taxation and social security	3,243	2,634
Corporation tax	167	-
Other trade payables	295	234
Non-trade payables and accrued expenses and deferred income	9,219	12,937
	<u>20,639</u>	<u>19,875</u>

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 19.

	2017 £000	2016 £000
Current liabilities		
Parent company loan	491	479
Interest on loans	431	178
Finance lease liabilities	2,750	2,329
	<u>3,672</u>	<u>2,986</u>
Non-current liabilities		
Loan notes	4,843	4,212
Interest bearing loans	10,245	11,737
Finance lease liabilities	4,252	3,139
	<u>19,340</u>	<u>19,088</u>

Notes (continued)

16 Other interest-bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017			2016		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	2,948	198	2,750	2,465	136	2,329
Between one and five years	4,515	263	4,252	3,371	232	3,139
More than five years	-	-	-	-	-	-
	<u>7,463</u>	<u>461</u>	<u>7,002</u>	<u>5,836</u>	<u>368</u>	<u>5,468</u>

17 Employee benefits

Defined benefit plan – idverde Limited

The Group sponsors the Federated Pension Plan (FPP) which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for 18 active members, 15 deferred members and 18 pensioner members as at 5 April 2016. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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

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

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

An investment policy was transferred from Scottish Life to the Federated Pension Plan in April 2011, the amount of the transfer payment was £699,000. This consisted of the transfer of previous service for some 13 existing members, as well as transferring into the plan an additional 15 members.

The Federated Pension Plan Scheme is open to new eligible members transferring under TUPE (Transfer of Undertakings and Protection of Employment) where the Group enters into customer contracts requiring a broadly comparable pension scheme offering to those transferring employees who currently contribute to a defined benefit pension scheme.

A full actuarial valuation was carried out as at 5 April 2016 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

The position of the Plan based on financial assumptions as at 16 June 2017 revealed a funding shortfall of £351,000. The Group has agreed with the trustees that it will aim to eliminate the deficit over a period of 10 years from 5 April 2014 by the payment of annual contributions of £46,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the Group has agreed with the trustees that it will pay 48.1% of pensionable earnings less member contributions in respect of the cost of accruing benefits and management and administration expenses. The

Notes (continued)

17 Employee benefits (continued)

Group will meet Insurance premiums for death in service premiums and levies to the Pension Protection Fund in addition.

For the purposes of IAS19, the actuarial valuation as at 5 April 2016, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2017. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Defined benefit plan – Quadron Services Limited

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

The company's final salary pension scheme is now closed to new entrants. The total contributions for schemes for the period ended to 31 December 2017 were £806,000 (2016: £684,000). The group expects to continue to contribute to the schemes at similar levels next year. Outstanding contributions payable to the fund at the balance sheet date were £Nil (2016: £Nil).

The company sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 227 past and 175 pensioners at 5 April 2017. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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

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

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

A full actuarial valuation was carried out as at 5 April 2016 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions.

This actuarial valuation showed a deficit of £5,181,000. The Trustee and the Employers have agreed a recovery plan in order to eliminate the deficit. Under the agreed plan, the Employers will pay £250,000 in the year ending 5 April 2017, then increase their contributions to an initial rate £325,000 per annum with effect from 6 April 2017, increasing by 3% each 6 April thereafter. These contributions shall be payable until 5 July 2029.

Contributions to the defined benefit scheme are determined by a qualified actuary using the projected unit method. The full actuarial valuation for the scheme as a whole as at 5 April 2016 was updated to 31 December 2016 by a qualified actuary and showed that the market value of the scheme's assets was £16.4 million and that the value of these assets represented 76% of the benefits that had accrued to members. The deficit is being reduced through additional contributions from the company.

For the purposes of IAS19 the actuarial valuation as at 5 April 2016, which was carried out by a qualified Independent actuary, has been updated on an approximate basis to 31 December 2017. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures except that mortality assumptions have been updated to the latest available data.

Notes (continued)

17 Employee benefits (continued)

Amounts included in the statement of financial position

	idverde Limited		Quadron Services Limited		Total	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Fair value of plan assets	2,397	2,088	19,187	16,375	21,584	18,463
Present value of defined benefit obligation	(2,590)	(2,667)	(22,635)	(21,583)	(25,225)	(24,250)
Net obligation	(193)	(579)	(3,448)	(5,208)	(3,641)	(5,787)
	(193)	(579)	(3,448)	(5,208)	(3,641)	(5,787)

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

	idverde Limited		Quadron Services Limited		Total	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Defined benefit obligation at beginning of year	2,667	1,934	21,583	-	24,250	1,934
Defined benefit obligation acquired	-	-	-	17,726	-	17,726
Current service cost	135	127	-	-	135	127
Expenses	38	40	-	-	38	40
Interest expense	73	76	609	471	682	547
Contributions by plan participants	18	21	-	-	18	21
Actuarial gains due to scheme experience	(217)	(20)	(261)	-	(478)	(20)
Actuarial gains/(losses) due to changes in financial assumptions	45	547	1,542	3,798	1,587	4,345
Benefits paid, death in service premiums and expenses	(83)	(58)	(417)	(412)	(500)	(470)
Actuarial gains/(losses) due to demographic assumptions	(86)	-	(421)	-	(507)	-
Present value of defined benefit obligation at end of year	2,590	2,667	22,635	21,583	25,225	24,250

There have been no plan amendments, curtailments or settlements in the accounting period.

Notes (continued)

17 Employee benefits (continued)

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

	idverde Limited		Quadron Services Limited		Total	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Fair value of plan assets at beginning of year	2,088	1,725	16,375	-	18,463	1,725
Fair value of plan assets acquired	-	-	-	14,323	-	14,323
Interest income	58	68	472	381	530	449
Return on plan assets (excluding amounts included in interest income)	128	190	2,104	1,971	2,232	2,161
Contributions by the Group	188	142	806	188	994	330
Contributions by plan participants	18	21	-	-	18	21
Benefits paid, death in service premiums and expenses	(83)	(58)	(570)	(488)	(653)	(546)
Fair value of plan assets at end of year	2,397	2,088	19,187	16,375	21,584	18,463

The actual return on the plan assets over the year ended 31 December 2017 was £186,000 (2016: £258,000) for idverde Limited and £2,576,000 (2016: £2,352,000) for Quadron Services Limited.

Defined benefit costs recognised in profit or loss

	idverde Limited		Quadron Services Limited		Total	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Current service cost	135	127	-	-	135	127
Expenses	38	40	153	76	191	116
Net interest cost	15	8	137	90	152	98
Defined benefit costs recognised in profit or loss	188	175	290	166	478	341

Notes (continued)

17 Employee benefits (continued)

Defined benefit costs recognised in other comprehensive income

	idverde Limited		Quadron Services Limited		Total	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Return on plan assets (excluding amounts included in net interest cost)	128	190	2,104	1,910	2,232	2,100
Experience gains and losses arising on the defined benefit obligation gain/(loss)	217	19	-	-	217	19
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation gain/(loss)	86	-	-	-	86	-
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligation gain/(loss)	(45)	(547)	(860)	(4,002)	(905)	(4,549)
Total amount recognised in other comprehensive income gain/(loss)	386	(338)	1,244	(2,092)	1,630	(2,430)

Assets

	idverde Limited		Quadron Services Limited		Total	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Equity	959	807	11,100	9,307	12,059	10,114
Bonds	479	403	-	-	479	403
Divested growth fund	-	-	7,205	6,724	7,205	6,724
Insurance policy	946	868	266	270	1,212	1,138
Cash	13	10	616	74	629	84
	2,397	2,088	19,187	16,375	21,584	18,463

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

It is the policy of the trustees and the Group to review the investment strategy at the time of each funding valuation. The Trustee's investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are illustrated by the asset allocation as at 31 December 2017.

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

Notes (continued)

17 Employee benefits (continued)

Significant actuarial assumptions

	idverde Limited		Quadron Services Limited	
	2017	2016	2017	2016
	£000	£000	£000	£000
Discount rate	2.5	2.70	2.4	2.85
Inflation (RPI)	3.2	3.35	3.4	3.45
Inflation (CPI)	2.2	2.35	2.4	2.45
Salary growth	3.0	3.00	-	-
Allowance for revaluation of deferred pensions of RPI	3.2	3.35	-	-
Allowance for revaluation of deferred pensions of CPI	2.2	2.35	-	-
Allowance for pension in payment increase of RPI	3.2	3.35	3.25	3.35
Allowance for pension in payment increase of CPI	2.2	2.35	2.1	2.20
Allowance for commutation of pension for cash at retirement	100% of post a day	100% of post a day	100% of post a day	100% of post a day

The mortality assumptions adopted at 31 December 2017 are 100% of the standard tables S1PxA (idverde Limited) and S2PxA (Quadron Services Limited), Year of Birth, no age rating for males and females, projected using CMI_2012 (idverde Limited) and CMI_2015 (Quadron Services Limited) converging to 1.50% pa (idverde Limited) and 1.25% pa (Quadron Services Limited). These imply the following life expectancies:

	idverde Limited Life expectancy at age 65 Years	Quadron Services Limited Life expectancy at age 65 Years
Male retiring in 2017	22.2	22.1
Female retiring in 2017	24.1	24.0
Male retiring in 2036	23.9	23.5
Female retiring in 2036	25.9	25.5

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

idverde Limited

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% pa	Increase by 5.1%
Rate of inflation	Increase of 0.25% pa	Increase by 5.1%
Rate of salary growth	Increase of 0.25% pa	Increase by 1.1%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.2%

Quadron Services Limited

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% pa	Increase by 4.7%
Rate of inflation	Increase of 0.25% pa	Increase by 3.6%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.9%

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

The average duration of the defined benefit obligation at the period ended 31 December 2017 is 22 years for idverde Limited and 20 years for Quadron Services Limited.

Notes (continued)

17 Employee benefits (continued)

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

The best estimate of contributions to be paid by the Group to the plan for the period commencing 1 January 2018 is £399,000 (2016: £169,000).

18 Provisions

	Onerous contracts £000	Pensions £000	Other £000	Total £000
<i>Movement in provisions during the current year</i>				
Balance at 1 January 2017	2,471	2,500	456	5,427
Provisions made during the year	2,320	-	350	2,670
Provisions reversed during the year	(928)	-	(456)	(1,384)
Provisions used during the year	-	(1,000)	-	(1,000)
Balance at 31 December 2017	3,863	1,500	350	5,713
Non-current	2,726	1,500	350	4,576
Current	1,137	-	-	1,137
	3,863	1,500	350	5,713
<i>Movement in provisions during the prior year</i>				
Balance at 1 January 2016	774	-	-	774
Provisions made during the year	424	-	-	424
Amounts arising from acquisition	1,273	2,500	456	4,229
Balance at 31 December 2016	2,471	2,500	456	5,427
Non-current	1,273	2,500	456	4,229
Current	1,198	-	-	1,198
	2,471	2,500	456	5,427

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

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

Notes (continued)

19 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
1,672,094,000 (2016: 1,672,094,000) ordinary shares of £0.01 each	16,721	16,721
	<u>16,721</u>	<u>16,721</u>
Shares classified in shareholders' funds	16,721	16,721
	<u>16,721</u>	<u>16,721</u>

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

20 Financial instruments

(a) Credit risk

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

idverde has implemented policies that require appropriate credit checks on potential customers before sales are made. The Group operates credit insurance for significant private sector transactions.

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

	2017 £000	2016 £000
Trade and other receivables	18,049	14,938
Cash and cash equivalents	5,059	5,293
	<u>23,108</u>	<u>20,231</u>

Credit quality of financial assets and impairment losses

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

	2017 Gross £000	Net of impairment £000	2016 Gross £000	Net of impairment £000
Not past due	6,759	6,759	6,040	6,040
Past due 0-30 days	1,507	1,507	479	479
Past due 31-120 days	1,110	1,110	1,157	1,157
More than 120 days	349	(39)	1,084	674
	<u>9,725</u>	<u>9,337</u>	<u>8,760</u>	<u>8,350</u>

All other receivables are not past due (2016: not past due).

Notes (continued)

20 Financial instruments (continued)

(a) Credit risk (continued)

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

	2017 £000	2016 £000
Opening balance	410	300
Amounts provided	-	110
Amounts utilised	(22)	-
	<hr/>	<hr/>
Closing balance	388	410
	<hr/>	<hr/>

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

(b) Liquidity risk

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

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

Notes (continued)

20 Financial instruments (continued)

(b) Liquidity risk (continued)

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

		2017				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5 years and over £000
Non-derivative financial liabilities						
Loan notes	4,843	4,843	-	-	-	4,843
Interest bearing loans	10,245	10,245	-	-	-	10,245
Parent company loan	491	491	491	-	-	-
Finance lease liabilities	7,463	7,463	2,948	2,267	2,248	-
Trade and other payables	22,207	22,207	22,207	-	-	-
	45,249	45,249	25,646	2,267	2,248	15,088

		2016				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to 5 years and over £000	
Non-derivative financial liabilities						
Loan notes	4,212	4,212	-	-	-	4,212
Interest bearing loans	11,737	11,737	-	-	-	11,737
Parent company loan	479	479	479	-	-	-
Finance lease liabilities	5,468	5,468	2,329	1,607	1,532	-
Trade and other payables	20,052	20,052	20,052	-	-	-
	41,948	41,948	22,860	1,607	1,532	15,949

Notes (continued)

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	3,131	3,071
Between one and five years	6,308	6,564
More than five years	1,165	805
	<u>10,604</u>	<u>10,440</u>

During the year £3,532,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £3,356,000).

22 Commitments

Capital commitments

At 31 December 2017, the Group had entered into contracts for the purchase of property, plant and equipment of £844,000 (2016: £1,240,000).

23 Contingencies

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

24 Related parties

A loan from idverde SAS, the immediate parent company, accrues interest at 2% above base rate and is payable on demand. As at 31 December 2017, the amount outstanding was £491,000 (2016: £479,000).

Another loan exists between idverde SAS and idverde Holdings Limited for a principal amount of £10,245,000 (2016: £11,737,000). The loan accrues interest at 5% per annum and is payable on demand.

The loan notes between idverde SAS and idverde Holdings Limited for an amount of £2,953,000 (2016: £2,953,000) accrue interest at 15% per annum. As at 31 December 2017, the amount outstanding was £4,843,000 (2016: £4,212,000).

Transactions with key management personnel

The compensation of key management personnel (including the directors) is as follows:

	2017 £000	2016 £000
Compensation for loss of office	67	-
	<u>67</u>	<u>-</u>

Notes *(continued)*

25 Ultimate parent company and parent company of larger Group

The Company's ultimate parent company is Armorica SAS, which is incorporated in France. At the balance sheet date, the ultimate controlling party is Chequers Capital FCPR, a company incorporated in France.

The largest group in which the results of the Company are consolidated is that headed by Armorica SAS, 122 rue Edouard Vaillant, 92300 Levallois Perret, France. The consolidated financial statements of these groups are available to the public obtained from idverde UK, Landscapes House, 3 Rye Hill Office Park, Birmingham Road, Allesley, Coventry, CV5 9AB.

26 Subsequent events

Subsequent to the year end, the ultimate controlling party, Chequers Capital FCPR, sold its interest in Armorica SAS to Core Equity Holdings Limited.

Company Balance Sheet at 31 December 2017

	<i>Note</i>	2017 £000	£000	2016 £000	£000
Fixed assets					
Investments	30		16,740		16,740
Current assets					
Debtors	31	3,255		3,864	
Cash at bank and in hand		14		14	
		<u>3,269</u>		<u>3,878</u>	
Creditors: amounts falling due within one year	32	<u>(1,088)</u>		<u>(555)</u>	
Net current assets			<u>2,181</u>		<u>3,323</u>
Total assets less current liabilities, being net assets			<u>18,921</u>		<u>20,063</u>
Capital and reserves					
Called up share capital	35		16,721		16,721
Share premium account			15,837		15,837
Profit and loss account			(13,637)		(12,495)
Shareholders' funds			<u>18,921</u>		<u>20,063</u>

The notes on pages 47 to 51 form an integral part of these financial statements.

These financial statements were approved by the Board of directors on 14 September 2018 and were signed on its behalf by:



J E Rhodes
Director

Company registered number: 6539986

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	7,958	15,837	(11,874)	11,921
Total comprehensive income for the year				
Profit or loss	-	-	(621)	(621)
Total comprehensive income for the year	-	-	(621)	(621)
Shares issued	8,763	-	-	8,763
Balance at 31 December 2016	16,721	15,837	(12,495)	20,063
Balance at 1 January 2017	16,721	15,837	(12,495)	20,063
Total comprehensive income for the year				
Profit or loss	-	-	(1,142)	(1,142)
Total comprehensive income for the year	-	-	(1,142)	(1,142)
Balance at 31 December 2017	16,721	15,837	(13,637)	18,921

The notes on pages 47 to 51 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

27 Accounting policies

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS101").

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

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

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

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

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

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

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

Judgements made by the directors, in the application of these accounting that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

27.1 Fixed asset investments

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

27.2 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

27 Accounting policies (continued)

27.3 Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

27.4 Investments in debt and equity securities

Investments in subsidiaries are stated at amortised cost less impairment.

27.5 Cash and cash equivalents

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

27.6 Interest-bearing borrowings

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

27.7 Intra-Group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

27.8 Taxation

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

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

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

Notes (continued)

28 Significant accounting estimates and judgements

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

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

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

Impairment of investment in subsidiary companies

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

29 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the year includes a loss after tax of £1,142,000 (2016: £621,000) which is dealt with in the financial statements of the Parent Company.

30 Fixed asset investments

	Shares in Group undertakings £000
<i>Cost</i>	
At beginning and end of year	16,740
	<hr/>
<i>Net book value</i>	
At 31 December 2017	16,740
	<hr/>
At 31 December 2016	16,740
	<hr/>

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

31 Debtors

	2017 £000	2016 £000
Amounts owed by Group undertakings	3,255	3,864
	<hr/>	<hr/>
	3,255	3,864
	<hr/>	<hr/>

Notes (continued)

32 Creditors

	2017 £000	2016 £000
Amounts owed to group undertakings	597	76
Parent company loan	491	479
	<u>1,088</u>	<u>555</u>

33 Interest-bearing loans and borrowings

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

	2017 £000	2016 £000
Creditors falling due in less than one year		
Parent company loan	491	479
	<u>491</u>	<u>479</u>

Terms and debt repayment schedule

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2017 £000	Carrying amount 2017 £000	Face value 2016 £000	Carrying amount 2016 £000
Parent company loan	GBP	Base + 2%	On demand	491	491	479	479

34 Deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities

At the Statement of Financial Position date, the Company has unused capital losses in the UK of £4,000 (2016: £4,000) available for offset against future chargeable gains. No deferred tax asset has been recognised in respect of this amount.

35 Called up share capital

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
1,672,094,000 Ordinary shares of £0.01 each	16,721	16,721
Shares classified in shareholders' funds	<u>16,721</u>	<u>16,721</u>

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

Notes *(continued)*

36 Related parties

The Company has taken advantage of the exemption conferred by FRS 101 relating to transactions and balances that are 100% owned.

A loan has reassigned to idverde SAS, the immediate parent company, which accrues interest at 2% above base rate and is payable on demand. As at 31 December 2017, the amount outstanding was £491,000 (2016: £479,000).