

Company Registration No. 08403454

H101 Limited

Annual Report and Financial Statements

For the year ended 30 June 2020



H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

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H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Officers and professional advisers

Directors

J Harrington
P Venables
S Winfield

Secretary

Hays Nominees Limited

Registered office

4th Floor
20 Triton Street
London
NW1 3BF

Independent Auditors

PricewaterhouseCoopers LLP ("PwC")
Chartered Accountants and Statutory Auditors
1 Embankment Place,
London, WC2N 6RH

H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Strategic Report

The directors, in preparing this strategic report, have complied with Section 414C(11) of the Companies Act 2006.

Principal activities

The Company's principal activity is the operation of qualified, professional and skilled recruitment.

The Company is domiciled in the United Kingdom.

Business Review

The performance of the business for the year ended 30 June 2020 was impacted by Covid-19 in second half of the financial year.

Trading in the first half of the financial year was broadly in line with expectations, although business confidence in the UK continued to be impacted by ongoing uncertainties and conditions in the private sector remained tough. Additionally, candidate confidence had also weakened.

However, in the second half of the financial year the rapidly escalating impact of Covid-19 drove a very material deceleration in client and candidate activity.

The business responded with necessary steps to ensure safety of employees, clients and candidates. The business also acted quickly to manage the cost base while protecting our core business operations and productive capacity.

Results

The profit before taxation for the year amounted to £34,000 (2019: £69,000).

The profit for the financial year amounted to £28,000 (2019: £56,000).

As at 30 June 2020 the Company had net assets of £5,165,000 (2019: £5,137,000).

Future developments

Due to the uncertainties arising from the Government restrictions on working and movement in UK and how long these may remain in place, it is not currently possible to estimate the extent of the impact on the Company's earnings in the 2021 financial year and beyond. The net fee performance of the business has broadly stabilised since the FY20 year-end, however with net fees are at significantly lower run rate in comparison to pre Covid-19 level.

Key performance indicators

The key performance indicators for the Company are:

Net Fee Growth: Net fee growth is defined as the growth in gross profit. The year-on-year growth of the Company's net fees provides a measure of the business development and growth. In the year to 30 June 2020 net fees decreased by 27.3% (2020: £261,000, 2019: £359,000), due to impact of Covid-19 on client and candidate activity.

H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Strategic Report

Principal risks and uncertainties

Macro-economic environment

The performance of the Company has a very close relationship and dependence on the underlying growth of the United Kingdom economy.

Competitive environment

In the United Kingdom the markets for the provision of permanent and temporary recruitment are highly competitive and fragmented. In these more developed markets, competitor risks manifests itself in increased competition for clients and candidates, and in pricing pressures.

Commercial relationships

The Company benefits from a close commercial relationship with one key client in the private sector.

Technology systems

The Company is increasingly reliant on a number of technology systems to deliver its services to clients. These systems are housed in various data centres and the business has capacity to cope with a data centre loss through the establishment of disaster recovery sites that are based in separate locations to the ongoing operations. The business is also reliant upon third-party providers for support services. These relationships are monitored through service reviews and periodical audits to ensure business-critical processes are safeguarded.

Regulatory environment

In common with many other sectors, the specialist recruitment industry is now governed by an increased level of compliance within the United Kingdom. The Company is committed to meeting all of its regulatory responsibilities and the legal and compliance teams within Hays Group keep the business informed as to changes in legislation that may impact the Company, and provide training and compliance programmes in key areas.

Section 172 (1) Statement and Statements on engagement with suppliers, customers and others

S172 of the Companies Act requires Directors to take into consideration the interests of stakeholders in their decision making. The following describes how the directors have had regard to the matters set out in section 172 (1) of the Companies Act 2006. This section of the strategic report and the pages to which it refers, comprises the Company's section 172 (1) statement.

As a wholly owned subsidiary of Hays Specialist Recruitment (Holdings) Limited, and with Hays plc as the Company's ultimate parent, the Directors ensure that decisions are beneficial to all the Company's stakeholders as well as having regard to the long-term sustainable success of the Company as a whole. The Board members receive reports throughout the year which include papers relating to business and financial performance, as well as highlighting any emerging matters and concerns.

The Company is a commercial organisation and aims to provide the best possible service to its clients and pursue the best possible economic return for shareholders. However, in making economic decisions, the Company has regard to the impact of those decisions on other stakeholders, including society and the wider environment.

Candidates - We connect candidates with the world of work. By building long-term relationships we enable their career ambitions

Clients - We consult with our clients, understanding their needs to achieve lasting impacts

H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Strategic Report (continued)

Section 172 (1) Statement and Statements on engagement with suppliers, customers and others (continued)

Communities and Governments - We seek to have a positive impact on communities by providing career advice and training. We work with Governments globally to ensure worker tax and regulation compliance

Environment - We seek to reduce our environmental impact year-on-year

Suppliers - We are committed to treating all our suppliers fairly and with respect

Industry bodies – We engage and support representative bodies within the recruitment industry wherever possible.

The Board fulfils its S172 duties by applying Hays plc group policies and procedures. Its decision making is underpinned by the group's purpose and values. The size and spread of both our stakeholders and Hays plc group means our engagement best takes place at an operational or group level rather than as an individual company.

The Management Board which meets on a monthly basis is responsible for day to day management of our business and operations, responsibility for monitoring detailed performance of all aspects of our business. Each member has a clearly defined remit, business objectives and financial budget within which they operate.

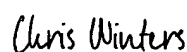
The Operations Board comprising members of the regional UK and Ireland business and functional managers also meet on a monthly basis to discuss matters of strategic and operational importance for the region. Each business is given operational autonomy, as far as possible, within a well-established internal control framework which consists of, among other things, a Group-wide set of policies on anti-bribery and corruption, competition compliance, conduct and ethics, equality, diversity & inclusion and whistleblowing.

During FY20, the Operations Board reviewed, among other things, business strategy and associated performance, received reports on the operational and financial performance for the region and received regular updates on employee engagement activities including Wellbeing@Hays initiative, rollout of learning and development programmes and succession planning.

Safety of our colleagues continues to remain our priority and as the Covid-19 pandemic enveloped the world, the Operations Board continued to monitor the latest government guidance and risk assessments for safe return to work for our colleagues.

Further details of Hays plc group policies and practices can be found online at www.haysplc.com. Further information about Hays plc's business relationship with customers, suppliers and other stakeholders can be found on pages 66 to 68 of the Group Annual Report.

Approved by the Board of Directors and signed by order of the board.



C Winters
For and on behalf of Hays Nominees Limited
Secretary
3rd February 2021

H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Directors' Report

The directors present their report and audited financial statements for H101 Limited (the 'Company') for the year ended 30 June 2020.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are on page 1.

Directors' indemnities

There were no directors' indemnities during the year ended 30 June 2020 (2019: £nil).

Charitable and political donations

Donations to charitable and political organisations amounted to £nil (2019: £nil).

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

The Company's principal financial assets are trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

A significant proportion of the Company's turnover was generated from a single customer.

Cash flow risk

The Company managed its working capital requirements as required by funding from the Hays plc £210m revolving credit facility via Hays Specialist Recruitment Limited.

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

Dividends

No dividend was declared or paid during the current year to the immediate parent company, Hays Specialist Recruitment (Holdings) Limited (2019: £nil).

Payments to creditors

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Directors' Report (continued)

Going concern

Given the rapidly escalating impact of Covid-19, which has driven a very material deceleration in client and candidate activity, the Company has received a letter of support from its ultimate parent company, Hays plc. Further details are given in the Going concern section in note 2 of the Financial Statements.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the key areas of risk and uncertainty when making their assessment. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As stated under 'Cash Flow Risk', the Company will continue to use the Hays plc facility via Hays Specialist Recruitment Limited to manage all future working capital requirements

Strategic Report

The information that fulfils the requirement of Section 414C (11) of the Companies Act 2006 is included in the Strategic Report. This includes a review of the development of the Company during the year, of its position at the end of the year and of the likely future development in its business.

Statement of disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to be made aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditors'

The auditor PricewaterhouseCoopers LLP ("PwC") has expressed its willingness to continue in office as Auditors and is deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board of Directors and signed by order of the board.

Chris Winters

C Winters
For and on behalf of Hays Nominees Limited
Secretary
3rd February 2021

H101 Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Independent auditors' report to the members of H101 Limited

Report on the audit of the financial statements

Opinion

In our opinion, H101 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2020, the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Alex Lazarus (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 February 2021

H101 Limited**Income statement for the year ended 30 June 2020**

	Note	2020 £'000	2019 £'000
Turnover	4	3,619	5,089
Cost of sales		(3,358)	(4,730)
Gross profit		261	359
Administrative expenses	5	(227)	(290)
Profit before taxation		34	69
Tax on profit	6	(6)	(13)
Profit for the financial year		<u>28</u>	<u>56</u>

Turnover and profit before taxation are all derived from continuing operations.

There were no other comprehensive income/expense in the current or prior year other than as shown above. Therefore, no separate statement of comprehensive income has been presented.

H101 Limited**Balance sheet as at 30 June 2020**

	Note	2020 £'000	2019 £'000
Current assets			
Trade and other receivables	8	5,217	5,344
		<u>5,217</u>	<u>5,344</u>
Current liabilities			
Trade and other payables	9	(52)	(207)
		<u>(52)</u>	<u>(207)</u>
Net current assets		<u>5,165</u>	<u>5,137</u>
Total assets less current liabilities		<u>5,165</u>	<u>5,137</u>
Net assets		<u>5,165</u>	<u>5,137</u>
Equity			
Called up share capital	10	5,000	5,000
Retained earnings		<u>165</u>	<u>137</u>
Total shareholders' funds		<u>5,165</u>	<u>5,137</u>

The financial statements of H101 Limited (registered number 08403454) on pages 11 to 19 were approved by the Board of Directors and authorised for issue on 3rd February 2021.
Signed on behalf of the Board of Directors.

John Harrington

J Harrington
Director

H101 Limited**Statement of changes in equity for the year ended 30 June 2020**

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' funds £'000
At 1 July 2019	5,000	137	5,137
Profit for the financial year	-	28	28
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	28	28
	<hr/>	<hr/>	<hr/>
At 30 June 2020	<u>5,000</u>	<u>165</u>	<u>5,165</u>

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' funds £'000
At 1 July 2018	5,000	81	5,081
Profit for the financial year	-	56	56
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	56	56
	<hr/>	<hr/>	<hr/>
At 30 June 2019	<u>5,000</u>	<u>137</u>	<u>5,137</u>

H101 Limited

Notes to the Financial Statements for the year ended 30 June 2020

1. General information

H101 Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2-3. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Significant accounting policies

Basis of accounting

The financial statements of H101 Limited have been prepared in accordance with United Kingdom accounting standards, including Financial Reporting Standards 101 and Reduced Disclosure framework (FRS 101) - 'The Financial reporting standard applicable in the United Kingdom and Republic of Ireland' and with the Companies Act 2006.

They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and Law.

The particular accounting policies adopted are described below and have been applied consistently in the current and preceding periods.

As permitted by FRS101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to certain disclosures regarding the Company's capital, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, certain related party transactions, financial instruments and the effect of future accounting standards not yet adopted.

Where relevant, equivalent disclosures have been given in the financial statements of the group financial statements of Hays plc.

The following exemptions from the requirements of IFRS have been applied in the preparation these financial statements, in accordance from FRS 101:

- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business on pages 2 to 5. The financial position of the Company, its cash flows and liquidity position are described in the Directors' Report. As stated under 'Cash Flow Risk', the Company will continue to use the group facilities to manage all future working capital requirements.

Given the rapidly escalating impact of Covid-19, which has driven a very material deceleration in client and candidate activity, the Company has received a letter of support from its ultimate parent company, Hays plc. The directors have also taken a proactive approach in managing the Company's cost base.

The Group's operations are financed by retained earnings and bank borrowings. The Group also has in place a £210 million revolving credit facility. Under the terms of the original agreement, the maturity date of November 2023 could be extended subject to lender agreement by a further two years. Having completed the extension of maturity to November 2024, Hays plc will shortly be requesting a further maturity extension until November 2025. The covenants within the facility remain unchanged and require the Group's interest cover ratio to be at least 4:1 and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1. The interest rate of the facility is on a ratchet mechanism with margin payable over LIBOR in the range 0.7% to 1.5%.

H101 Limited

Notes to the Financial Statements for the year ended 30 June 2020

2. Significant accounting policies (continued)

Going concern (continued)

On 3 April 2020, Hays plc announced that it had raised £200m via an equity placing to ensure that it has a strong balance sheet and can continue with minimal or no debt once its end markets stabilise. This will both provide the Group with a further liquidity buffer and importantly best allow the Group to pursue organic growth opportunities with new and existing blue-chip clients. The Group are already seeing such opportunities begin to emerge and expect further vendor consolidation from its clients when markets stabilise.

As set out above, despite the negative significant impact of the Covid-19 pandemic, the Company has sufficient financial resources which, together with internally generated cash flows and the letter of support from its ultimate parent company, Hays plc, will continue to provide sufficient sources of liquidity to fund its current operations including its contractual and commercial commitments and its approved capital expenditure. The Company is well placed to manage its business risks successfully. The directors confirm that they have considered the ability of the parent to provide this support.

After making enquiries, the directors have formed the judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable at the point in time and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Turnover arising from the placement of permanent candidates, including turnover arising from Recruitment Process Outsourcing (RPO) services, is recognised at the point in time the candidate commences full-time employment. Where a permanent candidate starts employment but does not work for the specified contractual period, a provision is made in respect of the required refund or credit note due to the client. The revenue recognised from a permanent placement is typically based on a percentage of the candidates remuneration package.

Turnover arising from temporary placements, including turnover arising from Managed Service Programme (MSP) services, is recognised at the point in time that temporary workers are provided. Where the Company is acting as a principal, turnover represents the amounts billed for the services of the temporary workers, including the remuneration costs of the temporary workers. The commission included within the revenue recognised arising from temporary placements is typically based on a percentage of the placements hourly rate.

Where the Company acts as principal in arrangements that invoice on the costs incurred with other recruitment agencies as part of the MSP service provided and manage the recruitment supply chain, turnover represents amounts invoiced on from other recruitment agencies, including arrangements where no commission is directly receivable by the Company.

Where the Company is acting as an agent in arrangements that invoice on behalf of other recruitment agencies as part of the MSP service provided, turnover represents commission receivable relating to the supply of temporary workers and does not include the remuneration costs of the other agency temporary workers.

H101 Limited

Notes to the Financial Statements for the year ended 30 June 2020

2. Significant accounting policies (continued)

Current and deferred taxation

The tax expense comprises both current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on all temporary differences, at rates that are enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which to offset the deductible temporary differences.

Temporary differences arise where there is a difference between the accounting carrying value in the balance sheet and the amount attributed to that asset or liability for tax purposes. Temporary differences arising from goodwill and, except in a business combination, the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit, are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Company is able to control the reversal of temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future years.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

H101 Limited

Notes to the Financial Statements for the year ended 30 June 2020

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Provisions in respect of recoverability of trade debtors

Provisions for impairment of trade debtors have been made. In reviewing the appropriateness of these provisions, consideration has been given to the ageing of the debt, the potential likelihood of default, taking into account current and future economic conditions, as well as the impact of Covid-19 on these estimates.

The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An impairment analysis is performed using a provision matrix to measure the expected credit losses. An allowance for impairment is made based on historical credit loss experience adjusted for forward looking factors specific to the debtors and economic environment, is evidence of a likely reduction in the recoverability of the cash flows.

4. Turnover

Turnover comprises amounts receivable for recruitment services supplied wholly within the UK and is stated net of allowances, credits and value added tax.

5. Administrative expenses

	2020 £'000	2019 £'000
Management recharge from other group companies	223	288
Other administrative expenses	4	2
	<u>227</u>	<u>290</u>

The fees payable to the Company's auditors for the audit of the Company's annual financial statements, which amounted to £3,424 for the year (2019: £3,239) were borne and not recharged by a fellow Group company. There were no non-audit fees in the current year (2019: £nil).

H101 Limited

Notes to the Financial Statements for the year ended 30 June 2020

6. Tax on Profit

The tax expense for the year is comprised of the following:

	2020 £'000	2019 £'000
Current tax:		
Current tax expense in respect of the current year	(6)	(13)
Total income tax expense recognised in the current year	(6)	(13)

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2020 £'000	2019 £'000
Profit before taxation	34	69
Income tax expense calculated at 19.0% (2019: 19.0%)	(6)	(13)
Income tax expense recognised in the income statement	(6)	(13)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The date enacted or substantively enacted for the relevant periods of reversal are: 19.0% from 1 April 2017.

7. Information regarding directors and employees

The Company had no employees during the current or prior year. The value of the services the directors provided for the company were of negligible value, therefore the directors did not receive any remuneration as directors of the Company in the current or prior year in respect of qualifying services.

8. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	155	734
Amounts owed by other group companies	4,836	4,230
Prepayments and accrued income	226	380
	5,217	5,344

Amounts owed by other group companies are repayable on demand. The Company does not charge interest on amounts owed by other group companies.

Included within amounts owed by other group companies is a corporation tax creditor of £6,000 (2019: £22,000). It is anticipated that this will be settled by group relief.

H101 Limited

Notes to the Financial Statements for the year ended 30 June 2020

9. Trade and other payables

	2020 £'000	2019 £'000
Other creditors including other taxation and social security	18	122
Accruals and deferred income	34	85
	<u>52</u>	<u>207</u>

10. Called up Share capital

	2020 £'000	2019 £'000
Called up, allotted and fully paid: 5,000,000 (2019: 5,000,000) Ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

11. Related party transactions

The Company has taken advantage of the exemption granted under paragraph 8(k) of FRS101 not to disclose transactions entered into between two or more wholly owned subsidiaries of a group. Transactions entered into and trading balances outstanding that were owed to the Company at 30 June 2020 with other related parties was £nil (2019: £nil).

12. Ultimate parent company

The Company's ultimate parent company and controlling entity is Hays plc, registered in England and Wales. The Company's immediate parent company is Hays Specialist Recruitment (Holdings) Limited, registered in England and Wales. The smallest and largest group that prepares Group financial statements is Hays plc. Copies of the Annual Report and Financial Statements for Hays plc are available from the Company Secretary at Hays plc, 4th Floor, 20 Triton Street, London, NW1 3BF.

13. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.