

**Company Registration No. 09929963 (England and Wales)**

**HTS (PROPERTY AND ENVIRONMENT) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr M A Harrowven Mr J E C Phillips Councillor S N Carter Councillor R V Davis Councillor L Shears (Appointed 24 June 2020)
<b>Secretary</b>	Mr J A Morris
<b>Company number</b>	09929963
<b>Registered office</b>	The Civic Centre The Water Gardens College Square Harlow Essex CM20 1WG
<b>Auditor</b>	Ensors Accountants LLP Cardinal House 46 St Nicholas Street Ipswich Suffolk IP1 1TT
<b>Business address</b>	Mead Park Industrial Estate River Way Harlow Essex CM20 2SE

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# HTS (PROPERTY AND ENVIRONMENT) LIMITED

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# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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The directors present the strategic report and financial statements for the year ended 31 March 2020.

#### Principle activities and review of the business

The principal activities of the Company are housing maintenance, gas servicing and repair, grounds maintenance and street cleaning. The majority of the Company's activities are performed on behalf of Harlow District Council ("the Council") under a five-year contract which commenced on 1st February 2017.

The Company has made a profit on ordinary activities before taxation of £0.63m for the year ended 31st March 2020 (2019: £0.51m).

The Company measures performance in a number of ways, including contract performance, quality reviews, debt reviews and regular re-forecasting and monitoring reviews.

The Company's aim is to provide a high-quality cost-effective client facing service whilst delivering positive financial returns to its shareholders.

HTS (Property & Environment) Limited attaches great importance to its corporate responsibility as evidenced by the many community support events and conferences attended by the company, the 140 work experience placements from Harlow college and 5 apprentices employed along with charitable fund raising being examples of this.

HTS (Property & Environment) Limited recognises the importance of our wider responsibility within the local community and have been involved with a number of local initiatives.

#### Principal Risks and uncertainties

The Company maintain a detailed Risk Management and Internal Control system. This requires the company to:

- identify risks and record them in a risk register;
- diagnose and quantify the risks as to their likelihood and impact, record the controls established and monitor their effectiveness;
- develop a plan to mitigate the likelihood and impact of the identified risks;
- regularly review the risk registers and action plans; and
- report key issues upwards to Harlow District Council.

The key risks identified for the Company, and the mitigating actions taken, are:

<b>Risk description</b>	<b>Mitigation</b>
Construction risk	Long-Term contracts in progress are controlled and managed through regular review of forecast revenue and cost to complete.
People	The company applies rigorous health and safety policies and procedures aimed at minimising health and safety incidents that may affect the company's employees, subcontractors and members of the public who come into contact with our business activities.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 MARCH 2020*

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### **Analysis of the development and performance**

**Safety.** The Company's health and safety performance has been and will remain a key priority. In the year ended 31st March 2020, the company has had one reportable incident (2019: no reportable incidents), giving an Accident Incident Rate of 507 (this is calculated from the number of accidents occurring in the period and the total man hours worked and which is higher than our industry standard of 400). The Company will not be complacent on this important issue and remains committed to maintaining a low Accident Incident Rate.

**Quality.** We seek constantly to improve the quality of the service we deliver to our clients and customers. To this end we encourage all our customers to provide feedback on the service they receive from us. The results for the month of March 2020 show that HTS (Property & Environment) Limited has achieved an overall success rate of 95% (2019: 100%) against the KPI's that govern the contract.

**Community.** HTS employees have been active in raising funds for various charities. These activities are purely down to the commitment of our staff to be involved in fundraising activities at work and during their own time. A number of staff were involved in School visits and assisted in Harlow Council Crucial Crew initiative whereby 1,000 children were trained in life skills.

**Employee Development.** The company is committed to employee development and invested over £53k in the period on staff training. The company employs five apprentices and offers work experience to local schools throughout the year. In line with the strategic objectives of our partner, Harlow District Council, HTS became a living wage employer in 2017.

By order of the board



Mr J A Morris

**Secretary**

8 July 2020

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2020**

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

### **Principal activities**

The principal activities of the Company are housing maintenance, gas servicing and repair, grounds maintenance and street cleaning. The majority of the Company's activities are performed on behalf of Harlow District Council ("the Council") under a five year partnering contract which expires on 31st January 2022.

### **Results and dividends**

The company made a profit after tax of £507,096 (2019: £413,298) for the year which has been included within reserves.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M A Harrowven

Mr J E C Phillips

Councillor S N Carter

Councillor R V Davis

Councillor L Shears

Councillor C J Vince

(Appointed 24 June 2020)

(Resigned 2 June 2020)

### **Political and charitable donations**

The Company has made £1,409 (2019:£6,412) of charitable donations in the year and no political donations.

### **Financial instruments**

#### ***Treasury operations and Financial Instruments***

The Company operates a treasury function which is, responsible for managing the liquidity, interest and credit risks associated with the company's activities.

The Company's principal financial instruments include loans (the main purpose of which is to raise finance for the company's operations). In addition, the company has various other financial assets and liabilities such as other receivables, amounts due from the Council and trade creditors arising directly from its operations. The company does not have any 'derivative' instruments.

#### ***Liquidity risk***

The Company does not operate any overdraft facilities and maintains bank balances to meet the ongoing needs of the business.

#### ***Interest rate risk***

All loans, lease and hire purchase agreements are on a fixed interest rate and therefore the Company reduces any exposure to changes in interest rates.

#### ***Credit risk***

Harlow Council is the ultimate shareholder of the Company and also the main customer. As such the credit risk to the Company is very low.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. To this end the Company is recognised as a Disability Confident Employer.

### **Employee involvement**

The Company's policy is to consult and discuss with employees, through its recognition of trade unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

### **Future developments**

HTS (Property & Environment) Ltd was established to deliver the repairs and maintenance of Harlow District Council's 9000 Social Housing and 220 public Buildings together with the cleaning and grounds environmental works within the Town.

The Best Value Review of HTS (Property & Environment) Ltd was successfully completed during the year and a 5 year extension to 31 January 2027 was authorised by the Cabinet in December 2019 subject to a number of recommendations being implemented. The Board has agreed the recommendations and there are being implemented by the company.

The Company will also deliver a further £29million of housing related capital works over the first 5 years of operation.

Following a successful first three years of trading, the group is looking to maximize the opportunities available both locally and in the surrounding areas.

### **Auditor**

Ensors Accountants LLP were appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



Mr J A Morris  
**Secretary**  
8 July 2020

# **HTS (PROPERTY AND ENVIRONMENT) LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2020***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HTS (PROPERTY AND ENVIRONMENT) LIMITED

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#### Opinion

We have audited the financial statements of HTS (Property and Environment) Limited (the 'company') for the year ended 31 March 2020 which comprise the Income Statement, the Statement Of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HTS (PROPERTY AND ENVIRONMENT) LIMITED

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### Responsibilities of directors

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

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



**Barry Gostling (Senior Statutory Auditor)**  
for and on behalf of Ensors Accountants LLP

13 July 2020  
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**Chartered Accountants**  
**Statutory Auditor**

Cardinal House  
46 St Nicholas Street  
Ipswich  
Suffolk  
IP1 1TT

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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	Notes	2020 £	2019 £
<b>Revenue</b>	<b>4</b>	25,901,955	23,329,315
Cost of sales		(22,311,239)	(20,280,960)
<b>Gross profit</b>		3,590,716	3,048,355
Administrative expenses		(3,019,836)	(2,606,851)
Other operating income		109,535	122,456
<b>Operating profit</b>	<b>5</b>	680,415	563,960
Investment income	<b>8</b>	5,371	7,187
Interest payable to group undertakings	<b>9</b>	(28,855)	(40,109)
Other finance costs	<b>9</b>	(30,848)	(16,285)
<b>Profit before taxation</b>		626,083	514,753
Tax on profit	<b>10</b>	(118,987)	(101,455)
<b>Profit and total comprehensive income for the financial year</b>	<b>23</b>	507,096	413,298

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The income statement has been prepared on the basis that all operations are continuing operations.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
<b>Non-current assets</b>					
Intangible assets	11		179,275		268,912
Property, plant and equipment	12		1,655,266		893,229
			<u>1,834,541</u>		<u>1,162,141</u>
<b>Current assets</b>					
Inventories	14	90,437		42,421	
Trade and other receivables	15	2,019,530		1,540,321	
Investments	13	510,327		505,478	
Cash and cash equivalents		2,252,773		1,362,310	
			<u>4,873,067</u>		<u>3,450,530</u>
<b>Current liabilities</b>	17	(4,676,824)		(3,315,275)	
<b>Net current assets</b>			<u>196,243</u>		<u>135,255</u>
<b>Total assets less current liabilities</b>			<u>2,030,784</u>		<u>1,297,396</u>
<b>Non-current liabilities</b>	17		(698,089)		(471,797)
<b>Net assets</b>			<u>1,332,695</u>		<u>825,599</u>
<b>Equity</b>					
Called up share capital	22		1		1
Retained earnings	23		1,332,694		825,598
<b>Total equity</b>			<u>1,332,695</u>		<u>825,599</u>

The financial statements were approved by the board of directors and authorised for issue on 8 July 2020 and are signed on its behalf by:



Mr J E C Phillips  
Director

Company Registration No. 09929963

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

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	Share capital £	Retained earnings £	Total £
<b>Balance at 1 April 2018</b>	1	412,300	412,301
<b>Year ended 31 March 2019:</b>			
Profit and total comprehensive income for the year	-	413,298	413,298
<b>Balance at 31 March 2019</b>	1	825,598	825,599
<b>Year ended 31 March 2020:</b>			
Profit and total comprehensive income for the year	-	507,096	507,096
<b>Balance at 31 March 2020</b>	1	1,332,694	1,332,695

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# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

##### Company information

HTS (Property and Environment) Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Civic Centre, The Water Gardens, College Square, Harlow, Essex, CM20 1WG.

#### 1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Harlow District Council in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 113(a), 114, 115, 118, 119(a)–(c), 120–127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- the requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Harlow District Council. The group accounts of Harlow District Council are available to the public and can be obtained as set out in note 24.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company 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 Revenue

Revenue arises from the provisions of goods and services provided in line with the principal activities set out in the Directors' report and excludes value added tax.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

In the case of the annual service charge (building maintenance, street cleaning and environmental services) which is a fixed-price contract, governed by KPI's the customer pays the fixed amount based on a payment schedule, normally paid in the same month as the service is rendered.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

In the case of capital and planned works performed for customers amounts are invoiced monthly based on certified valuations. Payment is due within 31 days from the date of the invoice.

#### 1.4 Intangible assets other than goodwill

Costs arising on the acquisition of the contract with Harlow District Council were capitalised as intangible assets and were charged over the life of the initial term of the contract with Harlow District Council. The rates of amortisation are as follows:-

Capitalised contract costs - 20% per annum.

#### 1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvem'ts	20% of cost
Computers and office equipment	20%-33.33% of cost
Plant and machinery	20% of cost
Motor vehicles	20%-30% of cost

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

In relation to small tools it is the company's policy to expense tools with an individual of less than £1,000 as consumables as these are likely to have an estimated useful life of less than 12 months.

#### 1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Intangible assets do not have indefinite useful lives so are not tested for impairment annually.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Inventories

Inventories are stated at cost and relate to fuel and vehicle parts being used in the business.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less, Bank deposits with original maturities of over three months are shown in current investments.

#### 1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### **Financial assets at fair value through profit or loss**

Financial assets are classified as at FVTPL when the financial asset is held for trading. This is the case if:

- the asset has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the statement of comprehensive income.

##### **Financial assets held at amortised cost**

Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held to maturity investments.

Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Trade Receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Financial assets at fair value through other comprehensive income**

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

Financial assets classified as available for sale are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Where an AFS financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Dividends and interest earned on AFS financial assets are included in the investment income line item in the statement of comprehensive income.

##### **Impairment of financial assets**

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

#### 1.10 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

##### **Other financial liabilities**

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.11 Equity instruments

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

#### 1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

#### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current 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 reporting end date.

##### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The company's employees are members the Essex pension fund which is a defined benefit pension plan and a part of the Local Government Pension Fund.

The assets of the scheme are held separately from those of the company in an independently administered fund. Pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

It has been agreed with Harlow District Council that contributions payable by the Company will be capped at either 10.6% or 14.1%.

To the extent that the company has a liability to pay any additional amounts to the scheme such liabilities are negated by an equal contingent asset arising from the capping agreement with Harlow District Council.

Accordingly, the contributions paid by the company are set in relation to the current service period only and as such the company has accounted for the contributions to this scheme as if they were a defined contribution scheme.

Harlow District Councils' Indemnity of the pension deficits supports the preparation of the financial statements on a going concern basis.

#### 1.16 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts with no consideration are therefore outside the scope of IFRS 16. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **1 Accounting policies**

**(Continued)**

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

When the company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the company applies IFRS 15 to allocate the consideration in the contract. When the company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately, classifying the sub-lease with reference to the right-of-use asset arising from the head lease instead of the underlying asset. As there is no consideration for the head lease, no right to use asset has been accounted for under IFRS 16, therefore sub-leases are classified for as operating leases. Rental income from sub-leases is credited to the profit and loss account on a straight line basis over the period of the lease.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 2 Adoption of new and revised standards and changes in accounting policies

In the current year, the Company applied IFRS 16 with a date of initial application on 1 April 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The company applied IFRS 16 using the modified retrospective approach.

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of the lease.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases.

The Company decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating leases under IAS 17, the Company recognised right-of-use assets and lease liabilities.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### Impact on Financial Statements

On transition to IFRS 16, the Company recognised an additional £1,109,334 of right-of-use assets and lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using a compound interest rate of 3% at 1 April 2019.

	<b>1 April 2019</b>
	<b>£</b>
Operating lease commitments at 31 March 2019	959,998
Operating lease commitments omitted at 31 March 2019	207,789
Discounted using the incremental borrowing rate at 1 April 2019	(58,453)
Lease liabilities recognised at 1 April 2019	<u>1,109,334</u>

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# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

##### **Critical judgements**

##### **Accounting for the defined benefit scheme deficit**

There has been significant judgement involved when reviewing the agreement with the Harlow District Council and concluding that all the actuarial risks associated with the scheme remain with Harlow District Council and therefore the deficit of the scheme relating to the company has not been accounted for within these accounts.

##### **Accounting for leases with no consideration**

There has been significant judgement made on whether the head lease between the company and Harlow District Council in relation to Mead Park should be accounted for as a right to use asset. As there is no consideration for the head lease then the conclusion is that no accounting for a right to use asset is required under IFRS 16 and therefore sub-leases are accounting for as operating leases.

##### **Key sources of estimation uncertainty**

##### **Estimation of useful life - Tangible fixed assets**

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement. The useful lives and residual values of the company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

##### **Present value of lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments due after the commencement date of the lease. The future lease payments have been discounted to present value using the Company's incremental borrowing rate of 3% as the discount rate.

#### 4 Revenue

	2020	2019
	£	£
<b>Revenue analysed by class of business</b>		
Building maintenance, street cleaning and environmental services	25,901,955	23,329,315
	<u>                    </u>	<u>                    </u>

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 4 Revenue (Continued)

	2020	2019
	£	£
<b>Other significant revenue</b>		
Interest income	5,371	7,187
Rental income	81,959	118,117

### 5 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	9,800	9,425
Depreciation of property, plant and equipment	616,143	269,062
(Profit)/loss on disposal of property, plant and equipment	-	3,547
Amortisation of intangible assets	89,637	89,637

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Production	249	239
Administration and Support	96	93
Total	345	332

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	9,657,755	9,173,451
Social security costs	899,275	855,461
Pension costs	1,098,321	1,044,611
	11,655,351	11,073,523

### 7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	198,762	199,609

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 8 Investment income

	2020	2019
	£	£
<b>Interest income</b>		
Interest on bank deposits	5,371	7,187

Total interest income for financial assets that are not held at fair value through profit or loss is £5,371 (2019 - £7,187).

### 9 Finance costs

	2020	2019
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	28,855	40,109
<b>Interest on other financial liabilities:</b>		
Interest on lease liabilities	30,848	16,285
Total interest expense	59,703	56,394

### 10 Taxation

	2020	2019
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	109,290	108,060
Adjustments in respect of prior periods	4,936	14,212
<b>Total UK current tax</b>	114,226	122,272
<b>Deferred tax</b>		
Origination and reversal of temporary differences	4,761	(20,817)
<b>Total tax charge</b>	118,987	101,455

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 10 Taxation

(Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit before taxation	626,083	514,753
Expected tax charge based on a corporation tax rate of 19.00% (2019: 19.00%)	118,956	97,803
Effect of expenses not deductible in determining taxable profit	191	97
Depreciation on assets not qualifying for tax allowances	1,150	1,002
Under/(over) provided in prior years	4,936	14,211
Deferred tax adjustments in respect of prior years	(4,416)	(12,623)
Adjust opening and closing deferred tax to average rate	(1,830)	965
<b>Taxation charge for the year</b>	<b>118,987</b>	<b>101,455</b>

### 11 Intangible fixed assets

	<b>Capitalised contract costs</b>
	<b>£</b>
<b>Cost</b>	
At 31 March 2019	448,186
At 31 March 2020	448,186
<b>Amortisation and impairment</b>	
At 31 March 2019	179,274
Charge for the year	89,637
At 31 March 2020	268,911
<b>Carrying amount</b>	
At 31 March 2020	179,275
At 31 March 2019	268,912

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 12 Property, plant and equipment

	Leasehold improvements	Computers and office equipment	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 31 March 2019	41,101	255,608	801,115	285,950	1,383,774
IFRS 16 Adjustments	-	51,024	-	1,058,310	1,109,334
Additions	14,175	5,058	97,769	151,844	268,846
At 31 March 2020	55,276	311,690	898,884	1,496,104	2,761,954
<b>Accumulated depreciation and impairment</b>					
At 31 March 2019	9,733	92,120	274,312	114,380	490,545
Charge for the year	9,425	65,992	168,668	372,058	616,143
At 31 March 2020	19,158	158,112	442,980	486,438	1,106,688
<b>Carrying amount</b>					
At 31 March 2020	36,118	153,578	455,904	1,009,666	1,655,266
At 31 March 2019	31,368	163,488	526,803	171,570	893,229

Property, plant and equipment includes right-of-use assets, recognised within computers and office equipment and motor vehicles with a carrying value of £780,335. Depreciation of £382,999 was charged in respect of right-of-use assets.

The net carrying value of tangible fixed assets includes £3,880 (2019:£343,800) in respect of assets held under finance lease or hire purchase contracts. The depreciation charge in respect of these assets amounted to £1,940 (2019: £114,599) for the period.

### 13 Investments

	Current		Non-current	
	2020	2019	2020	2019
	£	£	£	£
Investments held at fair value through profit or loss	510,327	505,478	-	-

#### Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

### 14 Inventories

	2020	2019
	£	£
Tools, fuel and vehicle repairs stock	90,437	42,421

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 15 Trade and other receivables

	Current		Non-current	
	2020	2019	2020	2019
	£	£	£	£
Trade receivables	37,627	29,135	-	-
Amounts owed by fellow group undertakings	-	455,262	-	-
Other receivables	1,719,733	735,414	-	-
Prepayments and accrued income	255,794	309,373	-	-
	<u>2,013,154</u>	<u>1,529,184</u>	<u>-</u>	<u>-</u>
Deferred tax asset	11,137	11,137	(4,761)	-
	<u>2,024,291</u>	<u>1,540,321</u>	<u>(4,761)</u>	<u>-</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

### 16 Borrowings

	2020	2019
	£	£
<b>Unsecured borrowings at amortised cost</b>		
Loans from related parties	467,884	701,826
	<u>467,884</u>	<u>701,826</u>

#### Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£	£
Current liabilities	233,942	233,942
Non-current liabilities	233,942	467,884
	<u>467,884</u>	<u>701,826</u>

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 17 Liabilities

	Notes	Current 2020 £	2019 £	Non-current 2020 £	2019 £
Borrowings	16	233,942	233,942	233,942	467,884
Trade and other payables	18	3,568,859	2,397,410	-	-
Taxation and social security		401,822	532,281	-	-
Lease liabilities	19	330,469	145,517	464,147	3,913
Deferred income	21	141,732	6,125	-	-
		<u>4,676,824</u>	<u>3,315,275</u>	<u>698,089</u>	<u>471,797</u>

### 18 Trade and other payables

	2020 £	2019 £
Trade payables	1,031,856	676,182
Amounts owed to fellow group undertakings	89,757	-
Accruals and deferred income	2,439,601	1,700,136
Other payables	7,645	21,092
	<u>3,568,859</u>	<u>2,397,410</u>

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

### 19 Lease liabilities

	2020 £	2019 £
<b>Maturity analysis</b>		
Within one year	350,054	147,437
In two to five years	474,543	4,368
<b>Total undiscounted liabilities</b>	<u>824,597</u>	<u>151,805</u>
Future finance charges and other adjustments	(29,981)	(2,375)
<b>Lease liabilities in the financial statements</b>	<u><u>794,616</u></u>	<u><u>149,430</u></u>

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 19 Lease liabilities

(Continued)

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities	330,469	145,517
Non-current liabilities	464,147	3,913
	<u>794,616</u>	<u>149,430</u>
	<u><u>794,616</u></u>	<u><u>149,430</u></u>

  

	2020 £	2019 £
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	30,848	16,285
	<u>30,848</u>	<u>16,285</u>

The fair value of the company's lease obligations is approximately equal to their carrying amount.

### 20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £	Other £	Total £
Deferred tax liability at 1 April 2018	17,312	(7,632)	9,680
<b>Deferred tax movements in prior year</b>			
Credit to profit or loss	5,497	(26,314)	(20,817)
Deferred tax asset at 1 April 2019	22,809	(33,946)	(11,137)
<b>Deferred tax movements in current year</b>			
Credit to profit or loss	24,482	(19,721)	4,761
Deferred tax asset at 31 March 2020	47,291	(53,667)	(6,376)

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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21	Deferred revenue	2020 £	2019 £
	Arising from the annual service charge and rent	141,732	6,125

### Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities	141,732	6,125

22	Share capital	2020 £	2019 £
	<b>Ordinary share capital</b> <b>Issued and fully paid</b> 1 ordinary share of £1 each	1	1

23	Retained earnings	2020 £	2019 £
	At 1 April 2019	825,598	412,300
	Profit for the year	507,096	413,298
	At 31 March 2020	1,332,694	825,598

### 24 Controlling party

The parent company of HTS (Property and Environment) Limited is HTS Group Ltd and its registered office is The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG.

The ultimate parent undertaking and controlling party is Harlow District Council.

The consolidated financial statements of Harlow District Council are available from The Civic Centre, The Water Gardens, College Square, Harlow. Essex. CM20 1WG.

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 25 Retirement benefit schemes

#### Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees with Smart pension. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £26,669 (2019:£22,179)

#### Defined benefit scheme

Qualifying employees belonged to the Local Government Pension Scheme (LGPS), which is managed by Essex County Council. This is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds.

Harlow District Council entered into an agreement with the company which has the effect of capping the employer pension contributions payable by the company to the Essex Local Government Pension Scheme.

Due to the capping of the contributions the defined benefit scheme will be treated as a defined contribution scheme for the purposes of the preparation of the accounts and the contributions will be recognised as they fall due.

Included within the pension charge are contributions of £1,698,907 (2019: £1,609,826 ) payable by the company to the fund less £627,961 (2019: £587,220 ) reimbursed by Harlow District Council under the capping contribution arrangement.

The Net Pension Liability is guaranteed by the Local Authority and not the company, therefore the Net Pension Liability is treated as contingent liability which has an equal contingent asset being the fair value of the guarantee.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme's liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Company being based on the latest full valuation of the scheme as at 31 March 2019. The key assumptions (expressed as weighted averages) at the period end were as follows:

	<b>2020</b>	<b>2019</b>
RPI	3.45%	3.45%
CPI	2.35%	2.45%
Discount rate	1.90%	2.40%
Salary increase rate	2.90%	3.95%
Pension increase rate	1.90%	2.45%

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Retiring today: Male 21.8 years (2019: 21.3 years), female 23.6 years (2019: 23.6 years)
- Retiring in 20 years : Male 23.2 years (2019: 22.9 years), female 25.2 years (2019: 25.4 years)

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### 25 Retirement benefit schemes (continued)

<i>The contingent amounts arising from the company's obligations in respect of this defined benefit pension plan are as follows:</i>	<b>2020 £'000</b>	<b>2019 £'000</b>
Present value of defined benefit obligations	(50,727)	(51,290)
Fair value of plan assets	37,664	37,113
Fair value of local authority guarantee	13,063	14,177
	-	-

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

		2020		2019
	£	£	£	£
<b>Revenue</b>				
Income from services		25,901,955		23,329,315
<b>Cost of sales</b>				
Materials purchases	3,155,568		2,534,995	
Wages and salaries	8,506,174		8,094,597	
Social security costs	777,896		746,821	
Subcontract and agency labour	6,639,102		5,840,598	
Staff recruitment costs	6,885		10,096	
Staff welfare	23,364		17,052	
Staff training	42,604		48,024	
Staff pension costs	984,661		930,511	
Management Charges	156,000		156,000	
Rent re operating leases	-		413	
Rates	15,562		1,326	
Security costs	676		533	
Cleaning	273		903	
Waste disposal and service charges	369,911		373,659	
Repairs and maintenance	15,931		7,382	
Computer running costs	-		3,475	
Software costs	-		12,395	
Hire of equipment (not operating lease)	1,676		1,287	
Leasing - other assets	110,734		119,374	
Loose tools	12,009		5,980	
Motor running expenses	675,468		939,225	
Travelling expenses	1,650		6,055	
Accommodation and subsistence	-		629	
Postage, courier and delivery charges	-		99	
Professional subscriptions	5,978		4,815	
Legal and professional fees	-		2,346	
Consultancy fees	90,637		13,975	
Insurances	95,080		102,935	
Printing and stationery	5,434		6,443	
Books, periodicals, reference materials	-		283	
Public relations	-		1,266	
Telecommunications	2,233		979	
Other office supplies	-		1,507	
Entertaining	1,241		614	
Sundry expenses	6,029		38,871	
Protective clothing	43,730		29,043	
Depreciation	564,733		222,907	
Profit or loss on sale of tangible assets (non exceptional)	-		3,547	
		(22,311,239)		(20,280,960)
<b>Gross profit</b>	13.86%	3,590,716	13.07%	3,048,355
<b>Other operating income</b>				
Rent receivable		93,959		118,117

# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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	£	2020 £	£	2019 £
Other operating income	15,576		4,339	
		109,535		122,456
<b>Administrative expenses</b>		<b>(3,019,836)</b>		<b>(2,606,851)</b>
<b>Operating profit</b>		<b>680,415</b>		<b>563,960</b>
<b>Investment revenues</b>				
Bank interest received	5,371		7,187	
		5,371		7,187
<b>Finance costs</b>				
Hire purchase interest payable	1,926		16,285	
Lease interest payable	28,922		-	
Interest payable to group companies	28,855		40,109	
		<b>(59,703)</b>		<b>(56,394)</b>
<b>Profit before taxation</b>	2.42%	<b>626,083</b>	2.21%	<b>514,753</b>

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# HTS (PROPERTY AND ENVIRONMENT) LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2020

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	2020	2019
	£	£
<b>Administrative expenses</b>		
Wages and salaries	1,151,581	1,078,854
Social security costs	121,379	108,640
Staff recruitment costs	8,491	12,332
Staff welfare	4,943	2,505
Staff training	10,850	19,084
Staff pension costs	113,660	114,100
Management charge - group	223,048	70,588
Rates	227,681	221,715
Waste disposal and service charges	9,241	15,998
Power, light and heat	90,356	82,091
Repairs and maintenance	38,239	36,385
Computer running costs	19,855	3,922
Software costs	80,614	59,128
Hire of equipment (not operating lease)	543	-
Leasing - other assets	12,799	14,384
Travelling expenses	15,106	9,454
Accommodation and subsistence	2,576	7,191
Postage, courier and delivery charges	33,753	31,131
Professional subscriptions and CITB levy	13,786	(23,991)
Legal and professional fees	65,808	980
Consultancy fees	31,385	69,266
Non audit remuneration paid to auditors	14,655	9,425
Audit fees	9,800	9,425
Charitable donations	1,409	6,412
Bank charges	3,191	2,770
Insurances	394,292	370,203
Printing and stationery	21,295	27,938
Books, periodicals, reference materials	212	35
Advertising	2,585	6,498
Public relations	36,890	7,571
Meetings and seminars	380	1,412
Events and awards	28,938	-
Telecommunications	48,947	48,535
Other office supplies	2,408	6,439
Entertaining	9,279	14,815
Sundry expenses	28,776	25,824
Protective Clothing	38	-
Amortisation	89,637	89,637
Depreciation	51,410	46,155
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	3,019,836	2,606,851
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