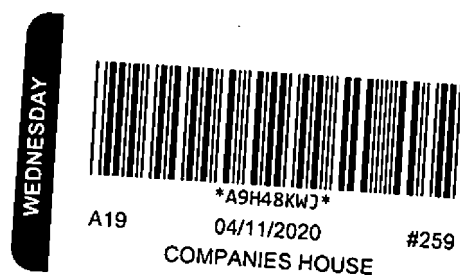


# kellan

**Kellan Group Limited**  
**Annual report and accounts 2019**



# Company information

**Bank**

Barclays Bank Limited  
1 Churchill Place  
London  
E14 5HP

**Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**Solicitors**

Pannone Corporate LLP  
378-380 Deansgate  
Manchester  
M3 4LY

**Registered office**

1st Floor  
Sherborne House  
119-121 Cannon Street  
London  
EC4N 5AT

**Company Secretary**

Martin Kumar  
1st Floor  
Sherborne House  
119-121 Cannon Street  
London  
EC4N 5AT

**Registered number**

02228050

**Subsidiaries**

Company Name	Company No.
Berkeley Scott Limited	03472296
Quantica Limited	03058194
Quantica Group Limited <sup>(1)</sup>	02456712
Quantica Solutions Limited <sup>(1)</sup>	05235505
RK Group Limited <sup>(1)</sup>	02803672
Robinson Keane Limited <sup>(1)</sup>	03743251

(1) Indirectly held

# Report of the directors

For the year ended 31 December 2019

## Strategic report

### Business Model

Kellan Group Limited (the "Group" or the "Company" or "Kellan"), is a market leading recruitment business operating across a wide range of functional disciplines and industry sectors.

A review of the business is set out below.

### Business review

Business operations are focussed in our core markets being Hospitality & Leisure, Technology and Accounting & Finance. While we also operate in certain other niche areas, our aim is to continue to develop our core businesses in major city centres.

Group sales have decreased by 8% from £23.7 million in 2018 to £21.8 million in 2019, Group NFI has decreased by 8.7% from £6.8 million in 2018 to £6.2 million in 2019, while administrative expenses have reduced 8.3% from £6 million on 2018 to £5.5 million in 2019. The savings achieved have allowed the business to offset the NFI shortfall with Adjusted EBITDA remaining flat at £1 million, while year-on-year earnings before tax decreased from £0.65 million in 2018 to £0.57 million in 2019, primarily due to the increased depreciation charge for our new head office, which we moved into in February 2019.

Berkeley Scott's 2019 NFI declined by 6.4% on 2018, with the temporary operation declining by 2.9% over 2018, and the permanent operation declining by 15.9% over 2018.

NFI from the RK business declined £0.2 million compared to 2018, and controllable contribution declined £0.1 million compared to 2018. While productivity remains low, improved cost management means that controllable contribution as a percentage of NFI increased from 25% in 2018 to 29% in 2019.

NFI from the Quantica business was flat year-on-year at £0.4 million, and controllable contribution was also flat at £0.2 million.

The Group invested in its Permanent and Contract CRM system in 2019, and the system went live in early March 2020. This will drive efficiencies in the business by reducing the administration burden and help our consultant's map their respective markets more effectively.

Liam Humphreys tendered his resignation in February 2020 and left the business in August 2020. This created an opportunity for middle management to progress, with the appointment of three Regional Directors to lead respective parts of our business based on geographic location.

Like many businesses, the Group has been impacted by the government lockdowns and the wider impact of Covid-19 which has pushed the UK into the deepest recession in 300 years. Although changes to our infrastructure means we can operate effectively despite working remotely, the partial shutdown of the hospitality sector has meant that many of Berkeley Scott's existing clients were forced to temporary close, or operate at reduced capacity.

While businesses have now begun to re-open, the reality is that without a vaccine, there are significant challenges facing the hospitality sector. Social distancing will reduce the number of customers our clients can accommodate in restaurants, bars, hotels and corporate events etc, and there are going to be local lockdowns at relatively short notice. Taken together, we will not see the hospitality sector return to 2019's levels for some time to come.

We will continue to diversify the business to help mitigate this impact of this, and we will continue to manage our cost base accordingly.

I would like to thank our loyal customers, suppliers, staff and all our shareholders for their invaluable support and understanding during this challenging time.

# Report of the directors

For the year ended 31 December 2019

## Financial Review

The Group's revenue for the year ended 31 December 2019 was £21.8 million representing a decline of 8.0% (2018: £23.7 million). This produced NFI of £6.2 million for the year ended 31 December 2019, a decline of 8.7% (2018: £6.8 million). 2019 full year adjusted EBITDA (note 2) was a profit of £1 million compared to a profit of £1 million in 2018.

The administrative expenses have decreased to £5.5 million in the year ended 31 December 2019, from £6 million in 2018, which represents a decrease of 8.3% year-on-year.

## Cashflow

At the balance sheet date, the Group held cash of £3.2 million (2018: £2.6 million). Net cash inflow at an operating level was £1.60 million for the year ended 31 December 2019 (2018: £1.47 million). Investing activities comprised of capital expenditure of £109,000 (2018: £384,000). Net cash outflow from financing activities amounted to £900,000 (2018: £479,000) comprising movement on the invoice discounting facility balances, the servicing of loan interest and the repayment of £300,000 to loan note holders. The net increase in cash and cash equivalents in the period was £594,000 (2018: £605,000).

On 1 March 2019, the Company announced that it had agreed terms of a partial purchase of the outstanding loan notes which were due for repayment on 20 September 2022. The Company agreed to purchase loan notes with a nominal value of £300,000 for the purchase price of £300,000. This was funded by drawdown on the existing confidential invoice discounting facility provided by Barclays. At the time of the transaction, the Barclays drawdown was at a substantially lower rate of 2.25% (1.5% over base) than the interest on the Loan Notes (5%) and ensures the Company uses its cheapest means of funding first.

In summary, before the first refinancing and redemption transaction dated 26 October 2016, the Group had loan notes amounting to £3,206,000 outstanding with £1,346,000 due for repayment on 14 February 2017 and the remaining £1,860,000 due for repayment on 20 September 2017. Following the transactions on 26 October 2016, 5 January 2017, 15 September 2017, 2 July 2018 and 1 March 2019, the Group had loan notes amounting to £1,200,000 outstanding and due for repayment on 20 September 2022 (note 15).

Current projections show that the Group has enough headroom to meet its liabilities as they fall due for the foreseeable future. The Group will adjust its cost base if the impact of Coronavirus means projected NFI falls short of expectation, which will in turn limit the impact on cash.

## Post balance sheet events

In March 2020, the Company agreed terms of a partial purchase of the outstanding loan notes which were due for repayment on 20 September 2022. The Company agreed to purchase, at par, loan notes with a nominal value of £300,000. Following this transaction, the Group has loan notes amounting to £900,000 outstanding which are due for repayment on 20 September 2022.

On 11 March 2020, The World Health Organisation ("WHO") declared the outbreak of Covid-19 a global pandemic. In order to stem the spread of the virus, the UK Government took drastic steps which included compulsory closure of various businesses and restricting the movement of people via lock downs. At the time of writing, partial restrictions are in place throughout the UK, which have impacted the Hospitality sector significantly. As a result, the Group is operating at a reduced capacity compared to that before the pandemic. The Directors are monitoring the situation closely and believe the overall impact will be a negative one on the trading results for 2020 and 2021.

In order to mitigate the detrimental effect of the pandemic the Board were quick to take action to protect the business and our staff both financially and from a Health and Safety perspective. We followed the Government's hygiene and social distancing mandate and we also took the following measures:

- External consultants carried out individual risk assessments using the guidance from the Government for each office to ensure that our controls were tailored to the nuances of each specific office.
- Wherever possible meetings with candidates, customers and suppliers have been scheduled as video calls, and guidance has been given to staff on measures to be taken for face to face meetings where this is unavoidable.
- Wherever possible we have encouraged people to work from home, or stagger start and finish times to minimise contact with others whilst traveling on public transport.

# Report of the directors

For the year ended 31 December 2019

To minimise cost the business has used and continues to utilise the Government's Furlough scheme. Employees have been brought back as demand dictated. Together with the Furlough scheme, the Group have also taken advantage of the VAT deferral assistance, along with the stringent management of working capital and maintaining good relationships with suppliers and customers. Further details can be found in note 24.

In April 2020, the Company received a short-term Coronavirus Business Interruption Loan ("CBIL Loan") of £500,000. This loan is 80% underwritten by the government. No interest is payable by the Company, and the principle is repayable at par in April 2021.

The Strategic Report was approved by order of the Board on 15 October 2020.



**Richard Ward**  
**Executive Chairman**  
15 October 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

## **Future developments**

Please refer to the Business Review on page 2 for a review of future developments.

## **Going concern**

The directors' consideration of the appropriateness of the going concern basis in preparing the financial statements is set out in note 1 to the financial statements.

## **Charitable and political contributions**

The Group made charitable donations of £2,000 (2018: nil) and no political contributions during the current or prior year.

## **Employees**

The Group has a policy of involving employees in its affairs where possible and creating the opportunity for senior members to explain to employees matters which affect the Group's performance. The Group practices equality of employment opportunities irrespective of sex, race, creed or colour and recruits, trains and promotes on merit accordingly. Throughout the Group where practicable, opportunities are taken to employ disabled people and to ensure that they take part in training and career development.

## **Dividends**

The directors do not recommend the payment of a final dividend (2018: Nil). No interim dividend was paid in the year (2018: Nil).

## **Financial Instruments**

Information on financial risk management, objectives and policies is included in note 17 to the financial statements.

## **Directors**

The directors of the Company who held office during the year and after the year end were as follows:

R Ward – Executive Chairman

R Kirpalani – Group Finance Director

L Humphreys - Managing Director – Resigned February 2020

ME Jackson – Non-executive Director

# Report of the directors

For the year ended 31 December 2019

## Statement of Directors' responsibilities

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 (FRS101) Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the requirements of 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.

## Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ('Articles'), and the Company has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

## Auditors

Each individual director has taken all the steps necessary to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information to which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting, in accordance with section 485 of the Companies Act 2006.

On behalf of the Board



**Richard Ward**  
**Executive Chairman**  
15 October 2020

# Independent auditors' report

To the members of the Kellan Group Limited

## Our opinion

We have audited the financial statements of Kellan Group Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statements of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated and Parent Company cash flow statements; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 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 Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent 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 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 Group or the Parent 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 this 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 the other information, we are required to report that fact. We have nothing to report in this regard.

# Independent auditors' report

To the members of the Kellan Group Limited

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

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

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

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

In the light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

## Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities on pages 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's 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.



Paul Fenner, Senior Statutory Auditor  
For and on behalf of BDO LLP,  
Chartered Accountants and Statutory Auditor  
55 Baker Street  
London  
W1U 7EU

15 October 2020



# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Revenue</b>	8	<b>21,763</b>	23,660
Cost of sales		(15,535)	(16,847)
<b>Gross profit/net fee income</b>	8	<b>6,228</b>	6,813
Administrative expenses		(5,500)	(5,962)
<b>Operating profit</b>	2	<b>728</b>	851
Finance expenses	5	(161)	(197)
<b>Profit before tax</b>	3	<b>567</b>	654
Taxation	6	(103)	(69)
<b>Profit for the year</b>		<b>464</b>	585
<b>Profit per share in pence</b>			
Basic and diluted	7	0.14	0.17

The above results relate to continuing operations.

There are no other items of comprehensive income for the year or for the comparative year.

The notes on pages 12 to 31 form part of these consolidated financial statements.

# Consolidated statement of financial position

as at 31 December 2019

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
<b>Non-current assets</b>			
Intangible assets	11	3,172	3,172
Property, plant and equipment	9	426	476
Right of use Assets	10	1,929	—
		<b>5,527</b>	<b>3,648</b>
<b>Current assets</b>			
Trade and other receivables	13	3,397	4,364
Cash and cash equivalents	14	3,181	2,587
		<b>6,578</b>	<b>6,951</b>
<b>Total assets</b>		<b>12,105</b>	<b>10,599</b>
<b>Current liabilities</b>			
Loans and borrowings	15	2,673	3,186
Trade and other payables	16	3,294	3,397
Lease liabilities	10	541	—
Provisions	19	11	65
		<b>6,519</b>	<b>6,648</b>
<b>Non-current liabilities</b>			
Loans and borrowings	15	1,079	1,305
Lease liabilities	10	1,388	—
Provisions	19	42	33
		<b>2,509</b>	<b>1,338</b>
<b>Total liabilities</b>		<b>9,028</b>	<b>7,986</b>
<b>Net assets</b>		<b>3,077</b>	<b>2,613</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	20	4,274	4,274
Share premium	21	14,746	14,746
Capital contribution reserve	21	810	810
Capital redemption reserve	21	2	2
Retained earnings		(16,755)	(17,219)
<b>Total equity</b>		<b>3,077</b>	<b>2,613</b>

These financial statements were approved by the Board of directors on 15 October 2020 and were signed on its behalf by:



**Richard Ward**  
Director



**Rakesh Kirpalani**  
Director

The notes on pages 12 to 31 form part of these consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
<b>Balance at 1 January 2018</b>	<b>4,274</b>	<b>14,746</b>	<b>810</b>	<b>2</b>	<b>(17,804)</b>	<b>2,028</b>
Total comprehensive income for the year ended 31 December 2018	—	—	—	—	585	585
<b>Balance at 31 December 2018</b>	<b>4,274</b>	<b>14,746</b>	<b>810</b>	<b>2</b>	<b>(17,219)</b>	<b>2,613</b>
Total comprehensive income for the year ended 31 December 2019	—	—	—	—	464	464
<b>Balance at 31 December 2019</b>	<b>4,274</b>	<b>14,746</b>	<b>810</b>	<b>2</b>	<b>(16,755)</b>	<b>3,077</b>

The notes on pages 12 to 31 form part of these consolidated financial statements.

# Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Cash flows from operating activities</b>			
Profit for the year		464	585
Adjustments for:			
Depreciation		159	107
Interest expense		161	197
		784	889
Decrease/(Increase) in trade and other receivables		967	(2)
(Decrease)/increase in trade and other payables		(103)	568
(Decrease)/increase in provisions		(45)	13
<b>Net cash inflow from operating activities</b>		<b>1,603</b>	<b>1,468</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	9	(109)	(384)
<b>Net cash outflow from investing activities</b>		<b>(109)</b>	<b>(384)</b>
<b>Cash flows from financing activities</b>			
(Decrease)/increase of invoice discounting facility balances		(513)	(44)
Interest paid and loan costs		(87)	(135)
Repayment of loan notes		(300)	(300)
<b>Net cash outflow from financing activities</b>		<b>(900)</b>	<b>(479)</b>
Net increase in cash and cash equivalents		594	605
Cash and cash equivalents at the beginning of the year		2,587	1,982
<b>Cash and cash equivalents at the end of the year</b>	13	<b>3,181</b>	<b>2,587</b>

The notes on pages 12 to 31 form part of these consolidated financial statements.

# Notes to the financial statements

(forming part of the financial statements)

## 1 Accounting policies

### *Basis of preparation*

Kellan Group Limited (the "Company") is a limited company, limited by shares, incorporated in the UK. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed for use by the EU ("Adopted IFRS"). The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 100 - Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 - Reduced Disclosure Framework ("FRS 101"); these are presented on pages 32 to 39.

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

### *Going concern*

The financial statements have been prepared on a going concern basis.

Based on the Group's latest trading expectations and associated cash flow forecasts to December 2021, the directors have formed a view that as at the date of approving the financial statements, there is a reasonable expectation that the Group will be able to operate within its existing facilities for the foreseeable future.

The Board of Directors has undertaken a recent thorough review of the Group forecasts and has produced detailed and realistic cash flow projections. Various scenarios have been run on the potential impact of COVID-19, including the modelling of worst case scenarios. The Group has available cash, as at 30 September 2020, of circa £2 million. In addition, the Group has an invoice discounting facility of up to £4 million dependent on trading levels, and an additional revolving door facility £0.4 million.

This level of cash is considered enough to meet the worst case stress test scenarios, whereby the revised cash flow accounts for a significant drop in turnover for 2020 and 2021. In this scenario, turnover does not return to previous levels at any point and the forecasts take account of a number of cost saving actions required to deal with the impact of COVID-19.

The revised cash flow projection when considered in conjunction with the Group's existing cash balances and facilities, demonstrate that the Group has sufficient working capital for the foreseeable future.

In the current business climate, Management acknowledge the COVID-19 pandemic and have implemented logistical and organisational changes to underpin the Group's resilience to COVID-19 with the key focus of protecting all personnel and ensuring business continuity.

In light of the forecasts prepared, the Directors are of the view that, despite external factors such as COVID-19, the headroom within the forecast should be sufficient to enable the Group to operate and meet its liabilities as they fall due for payment throughout the year, and the financial statements have accordingly been prepared on a going concern basis.

### *Measurement convention*

The financial statements are prepared on the historical cost basis.

### *Basis of consolidation*

Subsidiaries are entities controlled by the Group.

The Company controls a subsidiary if all three of the following elements are present; power over the subsidiary, exposure to variable returns from the subsidiary, and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

# Notes to the financial statements

(forming part of the financial statements)

## 1 Accounting policies continued

### *Property, plant and equipment*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The annual rates used are generally:

- |                                       |                                |
|---------------------------------------|--------------------------------|
| • Computer equipment                  | 25%                            |
| • Office equipment                    | 10% – 33%                      |
| • Leasehold premises and improvements | over the duration of the lease |

### *Goodwill*

Goodwill represents amounts arising on the acquisition of subsidiaries. Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Impairment tests on goodwill are undertaken annually at the financial year end. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal or contractual rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

### *Externally acquired intangible assets*

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements on page 24).

Amortisation is recognised in administration costs within the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

<i>Intangible asset</i>	<i>Useful economic life</i>	<i>Valuation method</i>
Brand name	10 years	Relief from royalty method
Customer relations	10 years	Means extended excess method

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances on current accounts and call deposits.

### *Impairment*

The carrying values of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where the asset does not generate cash flows which are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell, and its value-in-use. Value-in-use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit calculated using a suitable discount factor.

An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. Any impairment recognised on goodwill is not reversed.

The impairment review is assessed by reference to value in use, using internal forecasts and estimated growth rates to forecast future cash flows, and a suitable discount rate based on the Group's weighted average cost of capital. Any impairment is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed.

### *Provisions*

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate.

# Notes to the financial statements

(forming part of the financial statements)

## 1 Accounting policies continued

### **Employee benefits**

#### **Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of comprehensive income as incurred.

#### **Share-based payment transactions**

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the year in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to share prices not achieving market vesting conditions.

#### **Revenue and income recognition**

Revenue, which excludes value added tax ("VAT"), constitutes the value of services undertaken by the Group as its principal activities, which are recruitment consultancy and other ancillary services. These consist of:

- Revenue from temporary placements, which represents amounts billed for the services of temporary staff including the salary cost of these staff. This is recognised when the service has been provided, and the timesheet has been approved by the client;
- Revenue for permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised from the date candidate commences employment. The amount and timing of revenue is contingent on the right to the revenue passing to the Group. Typically this is recognised as the clients' rebate periods pass, in line with the terms agreed with the client. Retained permanent placements may recognise the staged invoicing earlier, provided the terms agreed with the client mean the Group is contractually entitled to the revenue.

### **Expenses**

#### **Operating lease payments**

Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax charge.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.
- The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.
- A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

### **Leased assets**

#### **Lease accounting under IFRS 16 (applicable after 1 January 2019)**

When entering into a contract the Group assesses whether or not a lease exists. A lease exists if a contract conveys a right to control the use of an identified asset under a period of time in exchange for consideration. Leases of low value items and short-term leases (leases of less than 12 months at the commencement date) are charged to the profit or loss on a straight-line basis over the lease term in administrative expenses.

# Notes to the financial statements

(forming part of the financial statements)

## 1 Accounting policies continued

The Group recognises right-of-use assets at cost and lease liabilities on the statement of financial position at the lease commencement date based on the present value of future lease payments. *The right-of-use assets are* amortised on a straight-line basis over the length of the lease term. The lease liabilities are recognised at amortised cost using the effective interest rate method. Discount rates used reflect the incremental borrowing rate specific to the lease.

### **Lease accounting under IAS 17 (applicable before 1 January 2019)**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases and are accounted for on a straight-line basis over the term of the lease.

### **Financial assets**

#### **Loans and receivables**

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables). Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are initially measured at fair value and subsequently at amortised cost less any provision for impairment.

Impairment provisions for current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

The amount of an impairment provision is recognised in the statement of comprehensive income.

Cash and cash equivalents include cash in hand, deposits at call with banks and bank overdrafts. Bank overdrafts where there is no right of set-off are shown within borrowings in current liabilities on the consolidated statement of financial position.

Impairment provisions for trade and other receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses (ECLs). During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income.

On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income is recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income is recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis is recognised.

### **Financial liabilities and equity instruments**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements. Financial liabilities are classified as either "financial liabilities at fair value through profit or loss (FVTPL)" or "other financial liabilities".

When the Group issues multiple instruments in a single transaction the proceeds are allocated to each separate instrument in accordance with their respective fair values.



# Notes to the financial statements

(forming part of the financial statements)

## 1 Accounting policies continued

### *Other financial liabilities*

Trade and other payables are recognised on the trade date of the related transactions. Trade payables are not interest bearing and are stated at the amount payable which is fair value on initial recognition.

Interest bearing loans are recognised initially at fair value, net of direct issue costs incurred, and are subsequently carried at amortised cost using the effective interest method.

### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments and are recorded at the proceeds received, net of direct issue costs.

### **Adoption of new and revised standards**

The new standards, interpretations and amendments, effective from 1 January 2019 is IFRS 16 Leases.

IFRS 16 Leases has introduced a single, on-balance sheet accounting model for lessees, eliminating the distinction between operating and finance leases.

The Group has applied IFRS 16 using the modified retrospective approach; accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

This has had a material effect on the financial statements, but no material change on the profit for the year. At the date of transition, this added a non-current asset of £2.1 million, a current liability of £0.4 million, and a non-current liability of £1.7 million. Further details presenting the impact on the Group of adopting IFRS 16 from 1 January 2019 are shown in note 10.

The amendments and interpretations to published standards that have an effective date on or after 1 January 2020 or later years have not been adopted early by the Group and are not expected to materially affect the Group or the Company when they do come into effect.

International Accounting Standards (IAS/IFRS)		Effective date
IFRS 3	Business Combinations	01/01/2020
IAS 8	Accounting Policies, Changes in Accounting Estimates	01/01/2020
IFRS 17	Insurance Contracts	01/01/2021
IAS 1	Presentation of Financial Statements	01/01/2023

### **Use of estimates and judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included below:

#### *(a) Impairment of intangibles*

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment and other assets where there has been an indication of impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary particularly in light of the current volatility of the recruitment sector to changes in the wider macro-economic environment. More information including carrying values is included in note 10.

# Notes to the financial statements

(forming part of the financial statements)

## 1 Accounting policies continued

### (b) Useful lives of intangible assets and property, plant and equipment

Intangible assets excluding goodwill and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the year that the assets will generate revenue, which are reviewed annually for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific years. More details including carrying values are included in notes 9 and 10.

### (c) Share-based payments

Employee services received are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. No options were granted in the current or the prior year.

### (d) Onerous leases and dilapidations

There are inherent uncertainties in estimates of rents that will be received in the future on vacant property when determining the onerous lease obligation and estimating the cost of returning the properties to their original state at the end of the lease.

## 2 Reconciliation of operating profit to Adjusted EBITDA and EBITA

Adjusted EBITDA is earnings before interest, taxes, depreciation and amortisation adjusted for any one off or non-cash administrative expenses.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Operating profit	728	851
Depreciation	159	107
Adjusted EBITDA (Note 8)	887	958

## 3 Expenses and auditors' remuneration

*Included in profit before tax are the following:*

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Pension contributions	239	168
Depreciation of owned property, plant and equipment	159	107
Operating leases rentals – hire of plant and machinery	20	16
Operating leases rentals – hire of other assets	81	333

### *Auditors' remuneration:*

Amounts payable to auditors in respect of both audit and non-audit services are set out below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Fees payable to the auditors for the audit of the Company's annual accounts	12	12
Fees payable to the auditors for other services:		
The audit of the Company's subsidiaries	15	15

# Notes to the financial statements

(forming part of the financial statements)

## 4 Staff numbers and costs

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

	Number of employees	
	2019	2018
Recruitment	67	69
Administrative staff	19	22
Temporary workers (whose costs are included in cost of sales and services charged within revenue)	960	1,062
	<b>1,046</b>	<b>1,153</b>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages and salaries	18,356	19,306
Social security costs	1,025	1,091
Contribution to money purchase pension scheme	239	168
	<b>19,620</b>	<b>20,565</b>

## Directors' and key management personnel remuneration:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. During the year these were considered to be the directors of the Company as disclosed on page 1.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Emoluments	398	415
Company contributions to money purchase pension schemes	27	25
	<b>425</b>	<b>440</b>

There were 4 directors in defined contribution pension schemes during the year (2018: 4).

The total amount payable to the highest paid director in respect of emoluments was £180,275 (2018: £188,250). Company pension contributions of £12,468 (2018: £11,524) were made to a money purchase scheme on his behalf. No options were exercised by directors during the current or prior years.

## 5 Finance expense

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Interest expense on financial liabilities	161	197

# Notes to the financial statements

(forming part of the financial statements)

## 6 Taxation

### Reconciliation of effective tax rate

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Profit before tax for the year	567	654
Tax using the UK corporation tax rate of 19% (2018: 19%)	108	124
Non-deductible expenses including impairment	18	17
Deferred tax not recognised in respect of losses	(19)	(74)
Capital allowances	(4)	(67)
Tax charge for the year	103	—
Prior year adjustment	—	69
Total tax charge	103	69

## 7 Profit per share

### Basic and diluted profit per share

The calculation of basic profit per share for the year ended 31 December 2019 was based on the profit attributable to ordinary shareholders of £464,000 (2018: £585,000) and a weighted average number of ordinary shares outstanding of 339,401,134 (2018: 339,401,134) calculated as follows:

Weighted average number of shares	2019	2018
Issued ordinary shares at 1 January	339,645,061	339,645,061
Effect of shares issued	—	—
Weighted average number of shares used in basic profit/(loss) per share	339,645,061	339,645,061
Effect of employee share options	2,000,000	2,000,000
Weighted average number of shares used in diluted profit/(loss) per share	341,645,061	341,645,061
Profit for the year in pounds	464,000	585,000
Basic profit per share in pence	0.14	0.17
Diluted profit per share in pence	0.14	0.17

# Notes to the financial statements

(forming part of the financial statements)

## 8 Operating segments

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("Executive Chairman") in deciding how to allocate resources and in assessing performance.

The Group identifies its reportable operating segments by divisions, each of which is run by a business leader. Each identifiable business division operates in a different market of recruitment, has its own brand, engages in business activities from which it may earn revenues and incur expenses, discrete financial information is readily available and its operating results are regularly reviewed by the Executive Chairman. Operating segment results are reviewed to controllable contribution level which is gross profit less employee costs and marketing costs directly controlled by the business leader of that division.

Each division derives its revenues from supplying one or more of contingent permanent, contract, temporary and retained search recruitment services. Assets and liabilities are reviewed at a Group level and are not reviewed by the Executive Chairman on a segmental basis.

		Year Ended 31 December 2019	Year Ended 31 December 2018
Operating Segment		£'000	£'000
	Revenue	18,678	20,307
	Net Fee Income	4,906	5,244
Berkeley Scott	Controllable contribution	2,657	2,913
	Revenue	1,220	1,561
	Net Fee Income	759	916
RK Group	Controllable contribution	186	268
	Revenue	1,673	1,547
	Net Fee Income	371	408
Quantica Group	Controllable contribution	177	169
	Other Revenue	192	245
	Other Net Fee Income	192	245
Other	Controllable contribution	192	245
	Other Costs	(2,325)	(2,637)
	Revenue	21,763	23,660
	Net Fee Income	6,228	6,813
	Controllable contribution	3,212	3,595
	Other costs	(2,325)	(2,637)
<b>Kellan Group Total</b>	<b>Adjusted EBITDA</b>	<b>887</b>	<b>958</b>

The total of the reportable segments' Adjusted EBITDA for the year agrees to the reconciliation to Group operating profit (see note 2).

# Notes to the financial statements

(forming part of the financial statements)

## 9 Property, plant and equipment

	Leasehold premises and improvements £'000	Computer and office Equipment £'000	Total £'000
<b>Cost</b>			
Balance at 1 January 2018	512	939	1451
Additions	345	39	384
Disposals	(394)	(398)	(792)
Balance at 31 December 2018	463	580	1043
Additions	59	50	109
Disposals	(100)	(190)	(290)
Balance at 31 December 2019	422	440	862
<b>Depreciation and impairment</b>			
Balance at 1 January 2018	489	763	1252
Depreciation charge for the year	19	88	107
Disposals	(394)	(398)	(792)
Balance at 31 December 2018	114	453	567
Depreciation charge for the year	76	83	159
Disposals	(100)	(190)	(290)
Balance at 31 December 2019	90	346	436
<b>Net book value</b>			
At 31 December 2017	23	176	199
At 31 December 2018	349	127	476
At 31 December 2019	332	94	426

# Notes to the financial statements

(forming part of the financial statements)

## 10 Leases

On 1 January 2019 the updated IFRS 16 standards were adopted by the Group. At the date of transition, this added a non-current asset of £2.1 million, a current liability of £0.4 million, and a non-current liability of £1.7 million. The Group has applied IFRS 16 using the modified retrospective approach; accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The incremental borrowing rate applied to the lease liabilities at the date of initial application was 2.63% on average.

### Right of use assets

	Total £'000
<b>Costs</b>	
At 1 January 2018 and 31 December 2018	—
Additions on adoption of IFRS 16 on 1 January 2019	2,119
Additions	247
At end of year	2,366
<b>Provisions</b>	
At 1 January 2018 and 31 December 2018	—
Provided in year	437
At end of year	437
<b>Net book value</b>	
At 31 December 2018	—
At 31 December 2019	1,929

### Lease liabilities

	Total £'000
Carrying amount as at 31 December 2018	—
Additions on adoption of IFRS 16 on 1 January 2019	2,119
Additions	247
Payments (including interest)	(437)
Carrying amount as at 31 December 2019	1,929

	1 January 2019 £'000	1 January 2018 £'000
Current	437	—
Non-current	1,682	—
Total lease liabilities	2,119	—

	31 December 2019 £'000	31 December 2018 £'000
Current	541	—
Non-current	1,388	—
Total lease liabilities	1,929	—

# Notes to the financial statements

(forming part of the financial statements)

## 11 Intangible assets

	Goodwill £'000	Brand name £'000	Customer relations £'000	Total £'000
<b>Cost</b>				
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	24,717	922	3,609	29,248
<b>Amortisation and impairment</b>				
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	21,545	922	3,609	26,076
<b>Net book value</b>				
At 31 December 2017	3,172	—	—	3,172
At 31 December 2018	3,172	—	—	3,172
At 31 December 2019	3,172	—	—	3,172

### Goodwill

	31 December 2019 £'000	31 December 2018 £'000
Berkeley Scott Regional (Formerly Gold Helm Roche) branch network	1,920	1,920
Berkeley Scott London (Formerly Sherwoods) branch network	569	569
RK Group	654	654
Other	29	29
	<b>3,172</b>	<b>3,172</b>

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from budgets covering a five year to 31 December 2024. The major assumptions are as follows:

A discount rate of 6.25% (2018: 6.63%) has been applied to the CGUs listed above. Discount rates are based on management's assessment of specific risks related to the CGUs, which approximates to the Group's pre-tax weighted average cost of capital.

Revenue, NFI and operating margins have been based on past performance and future expectations in the light of anticipated economic and market conditions. Cash flows for 2020 to 2024 are based on the forecast figures of each CGU for 2020 to 2024 based on a conservative approach whilst considering the anticipated economic conditions, corporate strategy and the related risk, market intelligence/sentiment and specific knowledge of the individual CGUs. Both revenue and NFI growth has been restricted to 2% for cash flows extending beyond five years.

An adjustment to reduce the forecast net cash flows by 5% would not result in an impairment. An increase in the discount rate of 1% would not result in an impairment.



# Notes to the financial statements

(forming part of the financial statements)

## 12 Deferred tax assets and liabilities

At 31 December 2019 the amount of deductible temporary differences, unused tax losses and unused tax credits are as follows:

	31 December 2019 £'000	31 December 2018 £'000
Trading losses carried forward	6,108	6,193
Capital losses carried forward	620	620
Decelerated capital allowances	169	430
Other deductible temporary differences	101	75
Prior year tax adjustments	(93)	—
	<b>6,905</b>	<b>7,318</b>

There is also a temporary difference in respect of the fair value adjustments for intangible assets on previous acquisitions of £274,000 (2018: £274,000) for which a corresponding deferred tax liability has been recognised and offset against an equivalent deferred tax asset in respect of unused tax losses, resulting in a net position of £nil. In respect of the excess balances from the table above, a deferred tax asset has not been recognised as there is insufficient evidence that future taxable profits will be material enough to reliably recognise a deferred tax asset.

## 13 Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	3,237	4,167
Other receivables	10	6
Prepayments and accrued income	150	191
	<b>3,397</b>	<b>4,364</b>

Days sales outstanding for 2019 was 45 days (2018: 51 days) presenting an improvement in cash collection of 6 days. An analysis of the allowance against accounts receivable and details of trade receivables past due and not impaired is included in note 17.

## 14 Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash and cash equivalents	3,181	2,587

## 15 Loans and borrowings

The carrying value and face value of loans and borrowings are as follows:

	31 December 2019 £'000	31 December 2018 £'000
<b>Non-current liabilities</b>		
Other loans	1,079	1,305
	<b>1,079</b>	<b>1,305</b>
<b>Current liabilities</b>		
Invoice discounting facility	2,673	3,186
	<b>2,673</b>	<b>3,186</b>

# Notes to the financial statements

(forming part of the financial statements)

## 15 Loans and borrowings continued

### Terms and debt repayment schedule

	Currency	Effective interest rate	Year of maturity	Face value 31 December 2019 £'000	Carrying Amount 31 December 2019 £'000	Face value 31 December 2018 £'000	Carrying amount 31 December 2018 £'000
Secured loan	Sterling	10%	2022	1,200	1,079	1,260	1,087
Secured loan	Sterling	10%	2022	—	—	240	218
				1,200	1,079	1,500	1,305

The invoice discounting facility balance utilised of £2,673,000 (2018: £3,186,000) is secured through deeds of composite guarantees and mortgage debentures on Group companies. The invoice discounting facility has an interest rate of 1.6% above Barclays base rate.

In March 2019, the Company agreed terms of a purchase the remaining £240,000 balance of the outstanding Fixed Rate Secured Loan Notes 2022 (the "Loan Notes") that were issued to BMN Commercial Limited ("BMN Commercial") pursuant to the terms of a Fixed Rate Secured Loan Note Instrument dated 26 October 2016 ("2016 Loan Note Instrument"). The Company agreed to purchase a nominal value of £240,000 for a purchase price of £240,000. Additionally, the Company agreed to a partial purchase of the Unsecured Fixed rate Loan notes 2022 that were issued to BMN Commercial of £60,000 and which Loan Notes are currently outstanding in the principal sum of £1,200,000.

The Purchase Price was funded by drawdown on the existing confidential invoice discounting facility provided to the Company by Barclays. The Barclays drawdown is at a substantially lower rate of 1.5% over base (2.25%), than the interest on the Loan Notes (5%) and ensures the Company uses its cheapest means of funding first. In addition, the purchase of the Loan Notes improved the balance sheet to the extent of the discount obtained.

In summary, before the first refinancing and redemption transaction dated 26 October 2016, the Group had loan notes amounting to £3,206,000 outstanding with £1,346,000 due for repayment on 14 February 2017 and the remaining £1,860,000 due for repayment on 20 September 2017. Following the transactions on 26 October 2016, 5 January 2017, 15 September 2017, 2 July 2018 and 22 March 2019, the Group has loan notes amounting to £1,200,000 outstanding and due for repayment on 20 September 2022.

Additionally, the Company also has a revolving secured facility of £516,100 from BMN Commercial (ranking behind Barclays) capable of drawdown at any time up to 20 August 2022, carrying an interest rate of 5% per annum and repayable on 20 September 2022 ("the Revolving Facility"). To date, the Revolving Facility has not been drawn on.

## 16 Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Trade payables	164	111
Other creditors	816	963
Social security and other taxes	1,080	1,174
Accruals and deferred income	1,234	1,149
	3,294	3,397

Trade payables are non-interest bearing and are normally settled within 50 day terms (2018: 45 day terms).

# Notes to the financial statements

(forming part of the financial statements)

## 17 Financial instruments

### **Financial risk management**

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Interest rate risk;
- Credit risk;
- Market risk;
- Foreign currency risk and
- Capital risk management

### **Liquidity risk**

Liquidity risk is managed centrally on a Group basis. The Group's policy in respect of liquidity risk is to maintain a mixture of long term and short term debt finance, including an invoice discounting facility, to ensure the Group has sufficient funds for operations for the foreseeable future. Budgets and forecasts are agreed and set by the Board in advance to enable the Group's cash requirements to be anticipated.

### **Interest rate risk**

Debt is maintained at bank variable rates which inherently bring interest rate risk. Related party loans are maintained at the fair value of interest rates on issue. The Group maintains detailed cash flow forecasts enabling it to factor incremental changes in interest rates into its risk profile and liquidity and react accordingly.

### **Credit risk**

The Group's principal financial assets are bank balances and cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables.

The Group's policy in respect of trade receivables credit risk requires appropriate credit checks on potential customers before sales are made, the appropriate limiting of credit to each customer and the close monitoring of KPI trending such as days' sales outstanding and debtor ageing. The Group records impairment losses on its trade receivables separately from the gross receivable and calculates the allowance based on evidence of its likely recovery. At the reporting date there were no significant concentrations of credit risk.

The Group's credit risk on liquid funds is limited due to the Group's policy of monitoring counter party exposures and only transacting with high credit-quality financial institutions.

### **Market risk**

The Group operates in a dynamic market place and constantly seeks to ensure the solutions it offers to customers are competitive. By operating in diverse sectors, the Group is, to some degree, protected from a deteriorating market. The Group aims to operate a 50/50 mix of temporary and permanent recruitment fees at NFI level, which de-risks the overall impact of a potentially inconsistent market.

### **Foreign currency risk**

The Group's foreign currency denominated activity is not significant and the impact of foreign exchange movements on reported profits, net assets and gearing are not significant. The day-to-day transactions of overseas revenues are carried out in local currency and Group exposure to currency risk at a transactional level is minimal.

The Group does not enter into speculative treasury arrangements and there are no significant balances or exposures denominated in foreign currencies.

### **Capital risk management**

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern whilst optimising the debt and equity balance.

In managing its capital, the Group's primary objective is to ensure its ability to provide a return for its equity shareholders through capital growth. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives. The Group's gearing profile, being the carrying amount of loans and borrowings of £3,752,000 (2018: £4,491,000) as a percentage of total equity £3,077,000 (2018: £2,613,000) decreased to 122% from 172% during the year.

# Notes to the financial statements

(forming part of the financial statements)

## 17 Financial instruments continued

### Trade receivables impairment

Movement on trade receivables impairment provision:

	31 December 2019 £'000	31 December 2018 £'000
Provision brought forward	101	101
Provision carried forward at year end	101	101

The trade receivables past due and not impaired at the reporting date amounted to £1,653,000 (2018: £2,357,000) and comprised £1,177,000 (2018: £1,613,000) overdue by up to 30 days, £328,000 (2018: £641,000) overdue by 30-60 days and £148,000 (2018: £103,000) overdue by more than 60 days.

The directors consider that all receivables are fully recoverable.

## Categories of financial instruments

### Financial assets

The financial assets of the Group comprised:

	<u>Loans and receivables</u>	
	2019 £'000	2018 £'000
<b>Current financial assets</b>		
Trade and other receivables	3,397	4,364
Net cash and cash equivalents	3,181	2,587
<b>Total financial assets</b>	<b>6,578</b>	<b>6,951</b>

### Financial liabilities

The financial liabilities of the Group comprised:

	<u>Measured at amortised cost</u>	
	2019 £'000	2018 £'000
<b>Current financial liabilities</b>		
Trade and other payables	980	1,074
Loans and borrowings	2,673	3,186
Lease liabilities	541	—
<b>Total current financial liabilities</b>	<b>4,194</b>	<b>4,260</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	1,079	1,305
Lease liabilities	1,388	—
<b>Total financial liabilities</b>	<b>6,661</b>	<b>5,565</b>

The invoice discounting balance amounted to £2,673,000 (2018: £3,186,000) and is secured by cross guarantees and mortgage debentures on certain Group companies. The loan from BMN Commercial Limited for £1,200,000 (2018: £1,500,000) is subordinated to the invoice discounting facility and overdraft under the terms of an inter-creditor deed. The carrying amount of these loans at the balance sheet date is £1,079,000 (2018: £1,305,000).

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of the items classified as loans and borrowings is classified as Level 3 in the fair value hierarchy. The fair value for disclosure purposes has been determined using discounted cash flow pricing models. Significant inputs include the discount rate used to reflect the associated credit risk.

# Notes to the financial statements

(forming part of the financial statements)

## 17 Financial instruments continued

### Effective interest rates – Group

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the years in which they mature. The following financial liabilities are stated at face value.

	2019				2018			
	Effective interest rate	Total £'000	0 to <1 years £'000	2 to <5 years £'000	Effective interest rate	Total £'000	0 to <1 years £'000	2 to <5 years £'000
Cash and cash equivalents	0.1%	3,181	3,181	—	0.1%	2,587	2,587	—
Invoice discounting	2%	(2,673)	(2,673)	—	2%	(3,186)	(3,186)	—
Secured loan	10%	(1,200)	—	(1,200)	10%	(1,260)	—	(1,260)
Secured loan	10%	—	—	—	10%	(240)	—	(240)
		(1,708)	508	(1,200)		(2,099)	(599)	(1,500)

The above table is based on the balances at the reporting date. The effect of future interest cash flows and sensitivities applied thereon can be determined from the above effective interest rates. With the exception of the invoice discounting facility, all interest rates are fixed.

## 18 Employee benefits

### Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £85,681 (2018: £96,000). £9,805 of pension contributions remained outstanding at the year end (2018: £8,000).

### Share-based payments

The Group has 1 share option scheme with options remaining unexercised at 31 December 2019:

#### 2004 Approved EMI Scheme – 2,000,000 vested options remain unexercised at 31 December 2019

The ability of a company to utilise EMI options is governed by conditions, including those of size, that are prescribed by HMRC.

The number and weighted average exercise prices of share options - are as follows:

	31 December 2019		31 December 2018	
	Weighted average exercise price £	Number of options	Weighted average exercise price £	Number of options
Outstanding at the beginning of the year	0.02	2,000,000	0.02	2,375,000
Outstanding at the end of the year	0.02	2,000,000	0.02	2,000,000
Exercisable at the end of the year	0.02	2,000,000	0.02	2,000,000

The exercise price of options outstanding at the end of the year was £0.026 (2018: £0.026) and their weighted residual contractual life was 1 year (2018: 2 years). All options currently in issue have vested as at 31 December 2019. There were no options exercised during the current or prior year. The weighted average fair value of each option granted during the year was nil as no options were granted (2018: £nil).

# Notes to the financial statements

(forming part of the financial statements)

## 19 Provisions

	Onerous Contracts and Dilapidations £'000
Balance at 1 January 2019	98
Provisions utilised during the year	(45)
<b>Balance at 31 December 2019</b>	<b>53</b>
Non-current at 31 December 2018	33
Current at 31 December 2018	65
	<b>98</b>
Non-current at 31 December 2019	42
Current at 31 December 2019	11
	<b>53</b>

Onerous contracts and dilapidations predominantly relate to the costs payable on properties which have been vacated and incremental costs that will be incurred on exiting existing properties where a commitment to do so exists at the reporting date.

## 20 Capital

### Share capital

	31 December 2019 £'000	31 December 2018 £'000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £0.0001 each (339,645,061 shares; 2018: 339,645,061)	34	34
Deferred shares of £0.02 each (212,872,170 shares; 2018: 212,872,170)	4,240	4,240
	<b>4,274</b>	<b>4,274</b>

The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at meetings of the Company. The deferred shares do not carry any dividend or voting rights and have limited rights in a winding up of the company.

## 21 Reserves

### Share premium

The share premium account represents the excess of the proceeds from the issue of shares over the nominal value of shares issued less related issue costs.

### Capital redemption reserve

The capital redemption reserve relates to the cancellation of the Company's own shares.

### Capital contribution reserve

The capital contribution reserve represents contributions from shareholders.

### Retained earnings

This represents the cumulative profit/(loss) from the Group

# Notes to the financial statements

(forming part of the financial statements)

## 22 Operating leases

The total future minimum lease payments of non-cancellable operating lease rentals are payable as follows:

	31 December 2019 £'000	31 December 2018 £'000
Less than 1 year	13	517
Between 2 and 5 years	—	1,654
More than 5 years	—	1
	<b>14</b>	<b>2,172</b>

During the year £20,000 was recognised as an expense in the income statement in respect of operating leases (2018: £348,923), excluding amounts charged in respect of onerous contracts. The significant year-on-year reduction is due to the treatment of leases under IFRS 16, which is effective from 1 January 2019. See note 10 for further details.

## 23 Related party transactions

The Company has Loan Notes amounting to £1,200,000 with BMN Commercial Limited, which are due for repayment in September 2022. BMN Commercial Limited is deemed to be a related party as the owners of BMN Commercial Limited are relatives of a substantial shareholder.

There was interest of £63,329 paid to BMN Commercial Limited for the year ended 31 December 2019 (2018: £83,926).

### Support on the Spot Limited

R Ward is a director of Support on the Spot Limited

	2019	2018
Payments for services provided by Support on the Spot Limited	<b>£175,586</b>	£163,205
Amounts due to Support on the Spot Limited	<b>£21,666</b>	£361

Receipts for services provided to Support on the Spot Limited	—	£52,800
Amounts due from Support on the Spot Limited at the year end	—	—

The ultimate controlling party of the Company is Mr PA Bell.

## 24 Post balance sheet events

On 13 March 2020, the company agreed terms of a partial purchase amounting £300,000 of the outstanding Secured Fixed Rate Loan Notes 2022 that were issued to BMN Commercial Limited. Following the purchase, the Group has loan notes amounting £900,000 which is due for repayment on 20 September 2022. The Purchase Price was funded by drawdown on the existing confidential invoice discounting facility provided to the Group by Barclays.

In January 2020, an outbreak of a corona virus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic. In order to stem the spread of the virus, Governments around the world took drastic steps which included compulsory closure of various businesses, shops and schools and were also heavily restricting the movement of people with lock downs.

At the time of writing partial restrictions are in place throughout the UK, which have impacted the Hospitality sector significantly. As a result, the Group is operating at a reduced capacity compared to that before the pandemic. As no cure or vaccine is currently available, it is not currently known whether the government will have to impose further stricter restrictions if a second spike occurs. The impact of the lockdown imposed on the longer-term effect on the economy as a whole due to the impact of COVID-19 and the steps the Government has taken to aid the economy as a result of the pandemic have yet to be fully realised. It is therefore the Directors' opinion that it is too soon to quantify the long-term financial impact that the COVID-19 pandemic will have. The Directors are monitoring the situation closely and believe the overall impact will be a negative one on the trading results for 2020 and 2021.

## Notes to the financial statements

(forming part of the financial statements)

In order to mitigate the detrimental effect of the pandemic the Board were quick to take action to protect the business and our staff both financially and from a Health and Safety perspective. We followed the Government's hygiene and social distancing mandate and we also took the following measures:

- External consultants carried out individual risk assessments using the guidance from the Government for each office to ensure that our controls were tailored to the nuances of each specific office.
- Wherever possible meetings with candidates, customers and suppliers have been scheduled as video calls, and guidance has been given to staff on measures to be taken for face to face meetings where this is unavoidable.
- Wherever possible we have encouraged people to work from home, or stagger start and finish times to minimise contact with others whilst traveling on public transport.

To minimise cost the business has used and continues to utilise the Government's Furlough scheme. Employees have been brought back as demand dictated. Together with the Furlough scheme, the Group have also taken advantage of the VAT deferral assistance, along with the stringent management of working capital and maintaining good relationships with suppliers and customers.

In April 2020, the Company received a short-term Coronavirus Business Interruption Loan ("CBIL Loan") of £500,000. This loan is 80% underwritten by the government. No interest is payable by the Company, and the principle is repayable at par in April 2021. The government announced on 24 September 2020 that CBIL loans could be carried beyond year one, with companies responsible to interest repayments on these loans. At the date of these financial statements, the Group has not sought to extend the loan repayment date beyond April 2021.



# Company balance sheet

At 31 December 2019

Registered Number 02228050

	Note	31 December 2019		31 December 2018	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Property, plant and equipment	28		423		473
Right of use assets	29		1,929		—
Investments	30		2,130		2,130
			<b>4,482</b>		<b>2,603</b>
<b>Current assets</b>					
Debtors – due within 1 year	31	4,623		4,297	
Cash at bank and in hand		505		465	
		<b>5,128</b>		<b>4,762</b>	
<b>Creditors: amounts falling due within 1 year</b>					
Trade and other payables	32	1,832		1,405	
Lease liabilities	29	541		—	
Provisions	34	11		65	
		<b>2,384</b>		<b>1,470</b>	
<b>Net current assets</b>			<b>2,744</b>		<b>3,292</b>
<b>Total assets less current liabilities</b>			<b>7,226</b>		<b>5,895</b>
<b>Creditors: amounts falling due after 1 year</b>					
Loans and borrowings	33	1,079		1,305	
Lease liabilities	29	1,388		—	
Provisions	34	42		33	
<b>Net assets</b>			<b>4,717</b>		<b>4,557</b>
<b>Capital and reserves</b>					
Called up share capital	35	4,274		4,274	
Share premium account	36	14,746		14,746	
Capital contribution reserve	36	810		810	
Capital redemption reserve	36	2		2	
Retained earnings		(15,115)		(15,275)	
<b>Shareholders' funds</b>			<b>4,717</b>		<b>4,557</b>

Kellan Company's profit for the current year is £160,000 (2018: profit of £192,000)

These financial statements were approved by the Board of directors on 15 October 2020 and were signed on its behalf by:



**Richard Ward**  
Director



**Rakesh Kirpalani**  
Director

The notes on pages 34 to 39 form part of the Company's financial statements.

# Company statement of changes in equity

Registered Number 02228050

as at 31 December 2019

	Share Capital £'000	Share premium account £'000	Capital contribution reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2018	4,274	14,746	810	2	(15,467)	4,365
Profit for the year	—	—	—	—	192	192
Balance at 31 December 2018	4,274	14,746	810	2	(15,275)	4,557
Profit for the year	—	—	—	—	160	160
Balance at 31 December 2019	4,274	14,746	810	2	(15,115)	4,717

The notes on pages 34 to 39 form part of the Company's financial statements.

# Notes to the financial statements of the Company

(forming part of the financial statements)

## 25 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in the Company financial statements and are in accordance with applicable accounting standards.

### *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") on a going concern basis as set out in note 1.

### *Disclosure exemptions adopted*

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Kellan Group Limited group of companies.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial instruments; or
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

### *Principal accounting policies*

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

### *Basis of accounting*

The financial statements have been prepared under the historical cost convention. The presentation currency used is sterling and amounts have been presented in round thousands ("£'000s").

### *Investments*

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value.

### *Pension costs*

The Group makes contributions to money purchase pension schemes of certain staff and directors. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are charged to profit and loss in the year in which they are payable.

### *Finance costs*

Finance costs associated with the issue of debt are deducted from the carrying value of the debt and charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

### *Financial instruments*

Financial instruments are measured initially and subsequently at cost. Financial liabilities and equity are classified according to the substance of the financial instruments' contractual obligations rather than the financial instruments' legal form.

### *Share capital*

The Company's ordinary shares are classified as equity instruments.

# Notes to the financial statements of the Company

(forming part of the financial statements)

## 25 Accounting policies continued

### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The annual rates used are generally:

- Computer equipment 25%
- Office equipment 10% – 33%
- Leasehold premises and improvements over the duration of the lease

## 26 Profit and loss account

A separate profit and loss account for the Company is not presented. In accordance with Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The company's profit after tax for the financial year is £160,000 (2018: £192,000 profit) which is dealt with in the financial statements of the parent company.

The remuneration of the directors of the Company is disclosed in note 4 to the group financial statements.

Auditor's remuneration is disclosed in to note 3 to the group financial statements.

## 27 Staff numbers and costs

The only employees of the Company at the year end were 4 directors (2018: 4) and 15 Group employees (2018: 18). The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages and salaries	935	915
Social security costs	106	101
Contributions to money purchase pension schemes	41	34
	<b>1,082</b>	<b>1,050</b>

Details of directors' emoluments, share option schemes and pension entitlements are given in the note 4.

## 28 Property, plant and equipment

	Leasehold premises and improvements £'000	Computer and office equipment £'000	Total £'000
<b>Cost</b>			
Balance at 1 January 2019	463	562	1,025
Additions	58	50	108
Disposals	(100)	(187)	(287)
Balance at 31 December 2019	421	425	846
<b>Depreciation and impairment</b>			
Balance at 1 January 2019	114	438	552
Depreciation charge for the year	76	82	158
Disposals	(100)	(187)	(287)
Balance at 31 December 2019	90	333	423
<b>Net book value</b>			
At 31 December 2018	349	124	473
<b>At 31 December 2019</b>	<b>331</b>	<b>92</b>	<b>423</b>

# Notes to the financial statements of the Company

(forming part of the financial statements)

## 29 Leases

On 1 January 2019 the updated IFRS 16 standards were adopted by the Group. At the date of transition, this added a non-current asset of £2.1 million, a current liability of £0.4 million, and a non-current liability of £1.7 million. The Group has applied IFRS 16 using the modified retrospective approach; accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The incremental borrowing rate applied to the lease liabilities at the date of initial application was 2.63% on average.

### Right of use assets

	Total £'000
<b>Costs</b>	
At 1 January 2018 and 31 December 2018	—
Additions on adoption of IFRS 16 on 1 January 2019	2,119
Additions	247
At end of year	2,366
<b>Provisions</b>	
At 1 January 2018 and 31 December 2018	—
Provided in year	437
At end of year	437
<b>Net book value</b>	
At 31 December 2018	—
At 31 December 2019	1,929

### Lease liabilities

	Total £'000
Carrying amount as at 31 December 2018	—
Additions on adoption of IFRS 16 on 1 January 2019	2,119
Additions	247
Payments (including interest)	(437)
Carrying amount as at 31 December 2019	1,929

	1 January 2019 £'000	1 January 2018 £'000
Current	437	—
Non-current	1,682	—
Total lease liabilities	2,119	—

	31 December 2019 £'000	31 December 2018 £'000
Current	541	—
Non-current	1,388	—
Total lease liabilities	1,929	—

# Notes to the financial statements of the Company

(forming part of the financial statements)

## 30 Fixed asset investments

	Total £'000
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	32,659
<b>Provisions</b>	
At 1 January 2019	30,529
Provided in year	—
At end of year	30,529
<b>Net book value</b>	
At 31 December 2018	2,130
<b>At 31 December 2019</b>	<b>2,130</b>

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2019	2018
Berkeley Scott Limited	England and Wales	Ordinary	100%	100%
Quantica Limited	England and Wales	Ordinary	100%	100%
Quantica Group Limited <sup>(1)</sup>	England and Wales	Ordinary	100%	100%
Quantica Solutions Limited <sup>(1)</sup>	England and Wales	Ordinary	100%	100%
RK Group Limited <sup>(1)</sup>	England and Wales	Ordinary	100%	100%
Robinson Keane Limited <sup>(1)</sup>	England and Wales	Ordinary	100%	100%

(1) indirectly held

For the year ending 31 December 2019, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

- Quantica Limited, company number 03058194
- Quantica Group Limited, company number 03058194
- Quantica Solutions Limited, company number 05235505
- RK Group Limited, company number 02803672
- Robinson Keane Limited, company number 03743251

The registered address for all subsidiaries is the same as for Kellan Group Limited as listed on page 1.

## 31 Debtors

	31 December 2019 £'000	31 December 2018 £'000
Trade Debtors	32	28
Amounts owed by Group undertakings	4,447	4,093
Other receivables	10	3
Prepayments and accrued income	134	173
	<b>4,623</b>	<b>4,297</b>

The amounts owed by Group undertakings have been assessed under IFRS 9 and the Directors deem these to be recoverable within a 5 year period. Therefore, no provision for irrecoverable debt has been included in the Company in respect of these balances.

# Notes to the financial statements of the Company

(forming part of the financial statements)

## 32 Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Trade and other creditors	965	762
Accruals and deferred income	867	643
	<b>1,832</b>	<b>1,405</b>

## 33 Loans and borrowings

### Non-current liabilities

	31 December 2019 £'000	31 December 2018 £'000
Other loan	1,079	1,305
	<b>1,079</b>	<b>1,305</b>

The maturity of loans and overdrafts is as follows:

	31 December 2019 £'000	31 December 2018 £'000
2 to 5 years	1,079	1,305
	<b>1,079</b>	<b>1,305</b>

See note 15 for further information.

## 34 Provisions

	Onerous Contracts and Dilapidations £'000
Balance at 1 January 2019	98
Provisions utilised during the year	(45)
<b>Balance at 31 December 2019</b>	<b>53</b>
Non-current at 31 December 2018	33
Current at 31 December 2018	65
	<b>98</b>
Non-current at 31 December 2019	42
Current at 31 December 2019	11
	<b>53</b>

Onerous contracts and dilapidations predominantly relate to the costs payable on properties which have been vacated and incremental costs that will be incurred on exiting existing properties where a commitment to do so exists at the balance sheet date.

# Notes to the financial statements of the Company

(forming part of the financial statements)

## 35 Called up share capital

	31 December 2019 £'000	31 December 2018 £'000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £0.0001 each (339,645,061 shares; 2016: 339,645,061)	34	34
Deferred shares of £0.02 each (212,872,170 shares; 2016: 212,872,170)	4,240	4,240
	<b>4,274</b>	<b>4,274</b>

See note 20 for further information.

Details of share options are given in note 18.

## 36 Reserves

### *Share premium*

The share premium account represents the excess of the proceeds from the issue of shares over the nominal value of shares issued less related issue costs.

### *Capital redemption reserve*

The capital redemption reserve relates to the cancellation of the Company's own shares.

### *Capital contribution reserve*

The capital contribution reserve represents contributions from shareholders.

### *Retained earnings*

This represents the cumulative profit/(loss) from the Company

## 37 Contingent liabilities

At 2019 year end the invoice discounting overdraft balances in the Company's subsidiaries amounted to £2,673,000 and were secured by cross guarantees and mortgage debentures on the Company (2018: £3,185,000).

## 38 Pension scheme

### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £41,000 (2018: £34,000).

£3,441 of pension contributions remained outstanding at the end of the financial year (2018: £1,600).

## 39 Related party transactions

In addition to the related parties given in note 23, the Company also had related party transactions with its wholly owned subsidiary companies, as follows:

	£'000
Balance as at 1 January 2019	3,614
Expense paid by the Company on behalf of its subsidiaries	833
Balance as at 31 December 2019	<b>4,447</b>

## 40 Post Balance Sheet Events

Details of the post balance sheet events are given in note 24.