Hydrogen International Limited

REPORTS AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

Company Registration No. 3876449 (England and Wales)

Hydrogen International Limited
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Hydrogen International Limited
COMPANY INFORMATION

DIRECTORS

I Temple
J Hunter
I Mogliani
C W Cole
T P Smeaton

COMPANY NUMBER

03876449

REGISTERED OFFICE

30-40 Eastcheap
London
EC3M 1HD

INDEPENDENT AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

The Directors present their reports and financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of recruitment services for mid to senior level professional staff, offering both permanent and contract specialist recruitment consultancy for large and medium sized organisations.

FINANCIAL REVIEW

Revenue

The Company revenue to 31 December 2017 totalled £97.6m (2016: £102.1m).

Net fee income (NFI – Gross profit)

Overall, there was a reduction in the Company's NFI of 2% to £13.4m (2016: £13.7m).

Despite some strong NFI growth throughout the Company, performance in the year was adversely impacted by a decline in our Life Sciences practice (NFI dropped by 37% from £3.3m to £2.1m) due to a number of staff issues.

Apart from this, strong performances in a number of our business practices including Technology Transformation which saw growth in NFI of 33% to £1.6m as we took advantage of the growth in new technology rollouts by clients. Legal also continued to perform strongly with growth in NFI of 24% to £3.4m driven by a number of significant new client wins

Contract NFI declined in the year by 9% to £8.6m (2016: £9.4m) owing to the challenges in the Life Sciences practice where contract NFI dropped by 45% to £1.3m. NFI from permanent placements grew from 32% to 36% (£4.4m to £4.8m) largely due to strong performances in Legal where permanent NFI grew by 22% to £3.1m.

The average headcount increased by 6% from 175 to 185 during the year whilst employee costs actually declined by 1% to £9.5m mainly due to a restructure of our Life Sciences practice.

A minimal gain of £0.03m was noted in the year based on fluctuations on foreign exchange rates in comparison to a £0.3m gain in 2016.

Exceptional costs in the year totalled £0.8m (2016: nil). At the time of the acquisition of Argyll Scott by Hydrogen Group plc, cost synergies along with economies of scales were identified and actions implemented to reduce operational overheads. The Group has invested in the development of a new global CRM and IT platform which resulted in the impairment of previously capitalised software costs of £0.6m. These costs together with other one-off costs associated with the acquisition and integration of Argyll Scott have been treated as an exceptional charge in 2017 as set out in note 4. The Board expects a payback of less than two years on these exceptional costs.

Overall finance costs for the year were £0.02m (2016: charge of £0.06m).

The Company reported profit after tax for the year of £0.5m (2016: £1.4m).

Key performance measures

We measure our progress against our strategic objectives of the Company using the following key performance indicators:

Profit conversion

Profit conversion is the underlying profit before tax (PBT adjusted for foreign exchange gains, amortisation of acquired brand and database, share based payments and exceptional items) divided by total NFI. This is key for the business to assess the level of underlying profitability.

Productivity per head

Productivity per head represents total NFI divided by the average number of employees. This is important to the business to monitor the levels of activity in the business and identify fee earners who are not at full productivity.

The company has invested significant amounts in developing its management information capability and systems over the last two years. All consultants now receive performance dashboards, tailored to their individual practice, on a regular basis.

NFI split between the UK, Europe, and the rest of the world

This is the total NFI expressed as a % over the UK, Europe and the rest of the world. This is valuable as it gives an indication of how the business has diversified its operations away from the historic UK marketplace.

NFI within the overseas market place has continued to increase and this is a result of our continued investment in international operations.

The business has processes to monitor key risks to business performance and these are discussed in more detail within the ultimate parent company's accounts.

Some of the key performance indicators used by the Company to monitor progress are listed below:

KPI		2017	2016
Net Fee Income (Gross Profit)	£'000	**13,410**	13,742
UK NFI	%	**78**	74
Europe NFI	%	**16**	18
Rest of the world NFI	%	**6**	8
Productivity (Gross profit divided by total average headcount)	£'000	**72.5**	78.5
Days of sales outstanding (DSO)	days	**31**	24

Minority interest scheme

Hydrogen was built on building market leading specialist teams with a focus on building our teams through a journey from incubator through fast growth to market leader where we have a much greater profit conversion. Building market leading teams is supported by our minority interest share scheme which allows managers and leaders of the teams to take a stake in their niche businesses which is realised in the form of Hydrogen Group shares over time dependent on performance. The minority interest scheme was rolled out during the year following shareholder approval at the AGM in June 2017.

The Company aims to improve profit conversion by developing more of its ultra-niche teams through to market leading businesses leveraging off the Company's global platform.

PEOPLE AND COMMUNITY

The Hydrogen Group Code of Conduct

The latest Code of Conduct is available on the Company's website for all employees and potential employees, candidates, clients, suppliers and business partners. The Code sets out expectations of business behaviour, including Hydrogen's policies on anti-corruption, equal opportunities and diversity, health and safety, modern slavery and use of the internet and social media.

Equal opportunities and diversity

The Company is committed to the principle of hiring based purely on individual merit, both for its own staff and for clients. Job boards and social media are used to try to attract talent from a wide range of sources and we select our staff and offer career development and promotion opportunities on a non-discriminatory basis. This includes giving equal consideration to applications for employment and onward career development at Hydrogen from people who may have a disability. In the event of an employee becoming disabled, we will make practical changes and make every effort to enable them to continue to work for us.

The focus on individual skills and capability flows through to the records we keep of applicants and employees. We hold only such information as is needed to determine a person's suitability for their role, to ensure compliance with employment law and, in respect of candidates, to meet clients' requirements for each particular role. The Company does not intend to monitor the diversity of employees in more detail but will concentrate on capturing skills, to enable us to find the best person for any role we offer.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the ultimate parent company, Hydrogen Group plc, and all its subsidiary companies (the Group) are reviewed on a regular basis by the Directors. The Group's strategy is designed to assign ownership and develop plans to mitigate the effects of the identified risks. The principal risks facing the business are as follows:

Macro-economic climate

The Company operates predominantly in the UK, and the macro economic climate can have a major impact on the performance of the Company. Steps taken to mitigate this in part are:
- operating in a number of different market sectors, each with unique and different economic cycles;
- developing practices in targeted international markets;
- maintaining a focus on profitability with strong control over operating costs and levels of pay closely linked to performance; and
- maintaining a strong balance sheet.

Regulatory environment

The recruitment industry is subject to increasing levels of regulation and compliance. The complexity of local laws and regulations affecting international business is also expected to increase. The Company is committed to be compliant and takes a conservative approach in areas where judgement is required.

Information technology

In delivery of its service to clients the Company is highly dependent on a number of technology systems and the infrastructure on which they operate. The Company's main system is a cloud based SAS sourced system based on Salesforce.com, and all of its IT hardware and infrastructure is outsourced to a third-party service provider. These arrangements provide the Company with the resilience and flexibility to support its operations. The Company is nonetheless aware of the increasing potential challenge to data integrity and security from both internal and external sources.

Availability of candidates

The Company operates in a number of industry sectors where the availability of highly skilled candidates is in short supply. The ability to identify suitable candidates can impact the Company's performance.

Matters of strategic importance

The matters listed as principal risks and uncertainties for the Company are the factors which will have most effect on the Company's current and future business. The Board monitors progress against the Company's strategy and the need for further mitigation of risks in the context of the performance of the wider Hydrogen Group.

The Strategic Report was approved by the Board on 25 May 2018 and signed on its behalf by:

Ian Temple
Director

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2017 are set out on page 10.

No dividend is proposed for the year (2016: nil).

DIRECTORS

The following Directors held office during the year:

I Temple
J Hunter (appointed on 14 August 2017)
I Mogliani (appointed on 13 June 2017)
D T R Church (resigned 14 August 2017)
C Adams (resigned 4 April 2017)
C W Cole
T P Smeaton

I Temple and J Hunter have no interest in the shares of the Company but are Directors of Hydrogen Group plc, the Company's ultimate holding company. Their interests in the shares of that company are disclosed in the Directors' report of Hydrogen Group plc.

Directors' and officers' liability insurance was provided at the cost of the Group for all Directors and officers throughout the year. The parent company's Articles of Association permit the indemnification of Directors against losses and liabilities properly incurred in the execution of their duties.

SOCIAL RESPONSIBILITY

The Company's policies on social responsibility are disclosed in the financial statements of the ultimate holding company.

FINANCIAL RISK

The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are consolidated with similar information for other operating entities within the Group, and the overall position managed at a Group level. The financial risk management and objectives of the Group, together with information on risks, are contained within the consolidated accounts of the ultimate parent company, Hydrogen Group plc. A further description of other risks and uncertainties affecting the Company appears on page 4 of the Strategic Report.

The Company's activities are financed by a combination of inter-company borrowings and invoice discounting facilities at floating interest rates, based on Bank of England Base Rate.

The Company continuously monitors defaults of customers and incorporates this information into its credit risk controls. External credit ratings on customers are obtained. At the balance sheet date two customers represented more than 5% of total trade debtor balances (2016: three customers). All of which have a good payment history with the Company and amounts due are well within recommended limits from external rating agencies. The Directors do not consider that this concentration represents a significant increase in credit risk.

GOING CONCERN

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain.

The Company has two revenue streams, permanent and contract recruitment. The cash flow characteristics of the two streams interact in a complementary fashion. The permanent business, which has minimal working capital requirement, is cash generative during the growth phase, and with tight cost control, near to cash neutral in a downturn. By contrast, the contract business has a large working capital requirement, and requires significant cash investment during a period of growth, but is cash generative in the first periods of a downturn.

Hydrogen Group plc (including Hydrogen International Limited) has an Invoice Discounting Facility of £18.0m, which with a commitment to June 2019. After this date, the facility shall continue until ended by either party giving to the other not less than three months' written notice. The average facility available during the year stood at £5.9m. Average utilisation in the year was noted at 56% (£3.3m).

The Company has prepared financial forecasts for the period to 30 June 2019 and the Directors have a reasonable expectation that the Company will have sufficient cash flow and available resources to continue operating in the foreseeable future. On these grounds the Board has continued to adopt the going concern basis for the preparation of the financial statements.

EXPECTED FUTURE DEVELOPMENTS

Hydrogen's plan for the year ahead is to focus on growing and developing its niche businesses on their journeys from incubator, to fast growth through to market leading businesses. This will be achieved by backing high performing individuals and by taking advantage of our global digital marketing platform. Whilst mindful of the uncertainty in the UK, the Company is well placed to continue to invest in both our international and UK businesses and to explore new investment opportunities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. The Directors have confirmed that they have taken appropriate steps to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

AUDITORS

BDO LLP offer themselves for re-appointment in accordance with Section 489 of the Companies Act.

A resolution to re-appoint BDO LLP as auditors will be proposed at the forthcoming AGM.

By order of the Board

I Temple
Chief Executive Officer

25 May 2018

The Directors are responsible for preparing the strategic report, Directors' report and the financial statements in accordance with applicable UK law and regulations.

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

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

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

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

Opinion

We have audited the financial statements of Hydrogen International Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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 Auditors' 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

BDO LLP

Anthony Perkins (Senior Statutory Auditor)
for and on behalf of
BDO LLP

Chartered Accountants
Statutory Auditor

London

25 May 2018

Hydrogen International Limited
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	2	**97,623**	102,097
Cost of sales		**(84,213)**	(88,355)
Gross profit		**13,410**	13,742
Other administrative expenses		**(12,962)**	(12,746)
Exceptional administrative expenses		**(802)**	-
Administrative expenses		**(13,764)**	(12,746)
Other income		**539**	553
Operating profit before exceptional items	3	**987**	1,549
Exceptional items	4	**(802)**	-
Operating profit		**185**	1,549
Finance costs	5	**(24)**	(63)
Profit before taxation		**161**	1,486
Income tax expense	8	**340**	(105)
Profit for the year		**501**	1,381
Other comprehensive income		**-**	-
Total comprehensive gain for the year		**501**	1,381

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 – 23 form part of these financial statements.

Hydrogen International Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

Company no: 03876449	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	10	**215**	792
Plant, Property and equipment	11	**788**	855
Trade receivables	12	**213**	81
		1,216	1,728
Current assets			
Trade receivables	12	**18,436**	14,364
Cash and cash equivalents		**184**	846
Deferred tax asset	15	**171**	-
Current tax receivable		**252**	90
		19,043	15,300
Total Assets		**20,259**	17,028
Current liabilities			
Trade and other payables	13	**(13,684)**	(12,503)
Borrowings	14	**(2,456)**	(1,084)
		(16,140)	(13,587)
Non-current liabilities			
Deferred tax liabilities	15	**-**	(167)
Provisions	16	**(379)**	(270)
		(379)	(437)
Total liabilities		**(16,519)**	(14,024)
Net assets		**3,740**	3,004
Capital and Reserves			
Called up share capital	17	**4**	4
Capital contribution reserve		**1,371**	1,136
Retained earnings		**2,365**	1,864
Shareholder's funds		**3,740**	3,004

The financial statements on pages 10 to 23 were approved by the Board of Directors and authorised for issue on 25 May 2018 and are signed on its behalf by:

I Temple
Director
Hydrogen International Limited
Registered in England and Wales, no. 3876449

Registered Office: 30-40 Eastcheap, London, EC3M 1HD

Hydrogen International Limited
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2017

	Share capital £'000	Capital contribution reserve £'000	Retained Earnings £'000	Total £'000
At 31 December 2015	4	869	483	1,356
Share scheme contribution	-	267	-	267
Transactions with owners	-	267	-	267
Profit for the year	-	-	1,381	1,381
Total comprehensive Income for the year	-	-	1,381	1,381
At 31 December 2016	4	1,136	1,864	3,004
Share scheme contribution	**-**	**235**	**-**	**235**
Transactions with owners	**-**	**235**	**-**	**235**
Profit for the year	**-**	**-**	**501**	**501**
Total comprehensive Income for the year	**-**	**-**	**501**	**501**
At 31 December 2017	**4**	**1,371**	**2,365**	**3,740**

1 ACCOUNTING POLICIES

General information

Hydrogen International Limited is a limited liability company incorporated and domiciled in England & Wales under the Companies Act. The registered office address and principal place of business is 30 Eastcheap, London, EC3M 1HD, England. Registered company number is 03876449.

Basis for preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard 100 *Application of Financial Reporting Requirements* ("FRS 100") and Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling and amounts have been presented in pounds ("£").

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 the Group headed by Hydrogen Group plc.

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

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

Exemptions from preparation of consolidated financial statements

The financial statements present information about Hydrogen International Limited as an individual Company and do not contain consolidated financial information as the parent of a Group. The Company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to produce consolidated financial information as it is included in the EEA accounts of a larger group. The financial statements of Hydrogen Group plc can be obtained as described in note 19.

The principal accounting policies of the Company are set out below and remain unchanged from the prior period:

Going concern

The factors considered by the Directors in exercising their judgment of the Company's ability to continue to operate in the foreseeable future are set out on pages 5 to 6. On these grounds the Board consider it reasonable to continue to adopt the going concern basis for the preparation of the financial statements.

Revenue

Revenue, which excludes value added tax, comprises the fair value of the consideration received or receivable for services undertaken by the Company under its principal activity, which is the provision of recruitment consultancy services. This broadly consists of:

- revenue from contractor placements, representing fees received and receivable for the services of contractor staff including the direct costs of their contracts, being recognised when the service has been provided;
- revenue from permanent placements, representing fees received and receivable as a percentage of the candidate's remuneration package, being recognised when a candidate starts their new role;

1 ACCOUNTING POLICIES (CONTINUED)

Cost of sales

Cost of sales consists of charges from contractors and other direct costs.

Gross profit

Gross profit is calculated as revenue less cost of sales.

Finance costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Intangible assets

Computer software

Costs incurred on the development and enhancement of computer systems in operation in the Company are only capitalised as intangible assets if the criteria laid out in IAS 38 'Intangible Assets' are met, as detailed below.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised as such, if and only if, the entity can demonstrate all the following:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
b) Its intention to complete the intangible asset and use or sell it.
c) Its ability to use or sell the intangible asset.
d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
e) The availability of adequate technical, financial, and other resources, to complete the development and to use or sell the intangible asset.
f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised software costs, included with Computer Software, are amortised within administrative expenses in the statement of comprehensive income from the date that the system is commissioned over their expected useful life, which is currently estimated at 3 - 5 years.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and provisions for impairment. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value on a straight-line basis over their estimated useful lives, as follows:

Computer and office equipment	33% straight line
Motor vehicles	25% straight line
Leasehold improvements	Remaining life of lease

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

Impairment of assets

At each year end, the Company reviews the carrying amounts of its intangible and tangible assets to determine whether there is any evidence that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Pensions

The Company operates a defined contribution pension scheme for UK based managers and senior employees. The Company matches employee contributions up to a maximum of 5% of annual basic salary. The pension costs charged to profit or loss represent the contributions payable by the Company during the year.

1 ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except those arising from the initial recognition of goodwill.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is measured at the tax rates that are expected to apply in the periods in which temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the reporting date. Deferred income tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred income tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss within the Statement of Comprehensive Income.

Dividends

A final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders. Interim dividend distributions are recognised in the period in which they are approved and paid.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the year end, and are discounted to present value where the effect is material. Where the Company has entered into contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it then a provision has been recognised based on the Directors' best estimate of future unavoidable costs.

Net cash

Net cash comprises cash and cash equivalents less long and short term borrowings.

Invoice discounting

When trade receivables are discounted the gross amount receivable from customers is included as a current asset within trade receivables with the advances received from the financier included as borrowings within current liabilities.

1 ACCOUNTING POLICIES (CONTINUED)

Exceptional items

Material and non-recurring items of income and expense are disclosed in the Statement of Comprehensive Income as 'exceptional items'. Examples of items which may give rise to disclosure as exceptional items include disposal of assets, costs of restructuring and reorganisation and asset impairment.

Significant management judgement in applying accounting policies

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities, further details are given in the various notes related to the judgement areas listed below. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

In the process of applying the Company's accounting policies, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as below (although the Directors do not believe that any reasonably possible change to their assumptions could give rise to a material change in these assets and liabilities):

Accrued income – Note 12

In making an accrual for time worked by contractors in December, management have had to estimate the time worked based on the number of working days in the month, and experience in previous years.

Bad debt provision – Note 12

In deciding the level of bad debt provision required management exercises judgement based on the age of the debt, knowledge of any known disputes surrounding the debt, the credit rating and Company's past trading experience of trading with the client.

Provisions – Note 16

Provisions are held for obligations relating to dilapidations and onerous contracts for surplus property. Significant management judgement has been involved in assessing the likely outcome of various events and future cash flows, and the provisions recognised represent management's best estimates of the current value of the obligations.

2 TURNOVER

The Company's turnover and profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	2017 £'000	2016 £'000
United Kingdom	**88,749**	90,007
Europe	**7,787**	10,520
Rest of World	**1,087**	1,570
	97,623	102,097

3 OPERATING PROFIT BEFORE EXCEPTIONAL COSTS

	2017 £'000	2016 £'000
Operating profit before exceptional items is stated after charging:		
Depreciation of tangible fixed assets	**96**	107
Amortisation of intangible assets	**242**	202
(Gain) on foreign exchange transactions	**(25)**	(270)
Operating lease rentals on land and buildings	**654**	669
The analysis of auditor's remuneration is as follows:		
Audit fees:		
- Fees payable to the Company's auditors for audit of the accounts	**44**	27
Non-audit fees:		
- Tax services (compliance and general tax advice)	**19**	-

4 EXCEPTIONAL ITEMS

	2017 £'000	2016 £'000
Restructuring costs	**86**	-
Impairment of software (note 10)	**589**	-
IT integration	**127**	-
	802	

Exceptional items are costs that are separately disclosed due to their material and non-recurring nature. They arose as a result of the Groups strategic decision to acquire the entire share capital of Argyll Scott and align the combined businesses going forward.

5 FINANCE COSTS

	2017 £'000	2016 £'000
Interest on invoice discounting	**24**	63
	24	63

6 DIRECTORS' EMOLUMENTS

	2017 £'000	2016 £'000
Emoluments for qualifying services (excluding pension)	**490**	415
Pension costs	**16**	19
	506	434

Emoluments disclosed above include the following amounts paid to the highest paid Director. The Director did not exercise any share options during the period:

	2017	2016
Emoluments for qualifying services	**247**	256

7 EMPLOYEES

	2017 No.	2016 No.
Average number of employees:		
Client services	**113**	120
Administration	**48**	51
Management	**5**	4
	166	175

	2017 £'000	2016 £'000
Employment costs:		
Wages and salaries	**8,174**	8,314
Social security costs	**916**	897
Other pension costs	**138**	104
Share-based payments	**235**	267
	9,463	9,582

8 TAXATION

	2017 £'000	2016 £'000
Current taxation		
UK corporation tax on profits of the year	**37**	137
Adjustment in respect of previous periods	**(39)**	(194)
Foreign tax suffered	**-**	9
Total current taxation	**(2)**	(48)
Deferred taxation		
Origination and reversal of timing differences	**(142)**	18
Adjustment in respect of previous periods	**(196)**	138
Effect of tax rate change	**-**	(3)
Total deferred taxation	**(338)**	153
Tax (credit)/charge on profit on ordinary activities	**(340)**	105

8 TAXATION (CONTINUED)

Factors affecting the tax charge for the year:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

The differences are explained below:	**2017** **£'000**	2016 £'000
Profit on ordinary activities before taxation	**161**	1,486
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**31**	297
Effects of:		
Non-deductible expenses	**18**	85
Fixed asset differences	**20**	11
Adjustments to tax charge in respect of previous periods	**(235)**	-
Share-based payments	**(20)**	(66)
R&D relief	**(17)**	-
Differences in tax rates	**25**	(54)
Group relief claimed	**(162)**	(168)
	(371)	(192)
Total current tax (credit)/charge	**(340)**	105

9 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost	
As at 1 January and December 2016 and 2017	-

The Company held 100% of the share capital of the following companies during the year:

Company	**Country of incorporation**	**Registered office**	**Class of shares held**
Commerce Partners Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Darwin Park Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Finance Partners Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Hydrogen Consulting Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Partners Group Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Partners Search and Selection Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Pro Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Project Partners Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Target Partners Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Pro Partners Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary
Hydrogen Business Solutions Limited	England and Wales	30-40 Eastcheap, London, EC3M 1HD	Ordinary

All subsidiaries are dormant have not traded in the period and are exempt from preparing individual accounts

10 INTANGIBLE ASSETS

	Computer software £'000
Cost	
At 31 December 2016	2,314
Additions	**254**
Disposals	**(447)**
At 31 December 2017	**2,121**
Depreciation	
At 31 December 2016	1,522
Charge for the year	**242**
Impairment charge	**589**
Disposals	**(447)**
At 31 December 2017	**1,906**
Net book value	
At 31 December 2017	**215**
At 31 December 2016	792

Impairment of £0.6m noted on software development that does not support the future economic value to the Company. This has been included within exceptional IT costs in note 4.

11 PLANT, PROPERTY, AND EQUIPMENT

	Leasehold Improvements	Office and computer Equipment	Total
	£'000	£'000	£'000
Cost			
At 31 December 2016	1,677	618	2,295
Additions	**-**	**29**	**29**
Disposals	**-**	**(281)**	**(281)**
At 31 December 2017	**1,677**	**366**	**2,043**
Depreciation			
At 31 December 2016	886	554	1,440
Charge for the year	**69**	**27**	**96**
Disposals	**-**	**(281)**	**(281)**
At 31 December 2017	**955**	**300**	**1,255**
Net book value			
At 31 December 2017	**722**	**66**	**788**
At 31 December 2016	791	64	855

12 TRADE AND OTHER RECEIVABLES

	2017	2016
	£'000	£'000
Trade and other receivables are as follows:		
Trade debtors	**9,165**	6,652
Allowance for doubtful debts	**(120)**	(42)
Amount owed by group undertakings	**2,339**	775
Prepayments and accrued income	**6,975**	6,979
Other debtors:		
- due within 12 months	**77**	-
- due after more than 12 months	**213**	81
	18,649	14,445
Current	**18,436**	14,364
Non- current	**213**	81

At 31 December 2017, the value of invoices discounted included within trade debtors was £6.8m (2016: £4.6m). Included in other debtors due after more than one year are rent deposits of £4,000 (2016: £4,000) and staff loans of £137,000 (2016: £80,000).

13 TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade creditors	**1,883**	268
Amount owed to group undertakings	**1,570**	2,638
Other taxes and social security costs	**1,030**	864
Other creditors	**1,262**	698
Accruals and deferred income	**7,939**	8,035
	13,684	12,503

14 BORROWINGS

	2017 £'000	2016 £'000
Invoice discounting facility (repayable on demand)	**2,456**	1,084
	2,456	1,084

The Invoice discounting borrowing is at a floating interest rate. Interest on the invoice discounting facility is charged at 1.7% over UK Base Rate on actual amounts drawn down, and the margin is fixed to May 2019.

15 DEFERRED TAXATION

	2017 £'000	2016 £'000
Deferred tax (liability)/asset:		
At 1 January	**(167)**	(14)
Credit/(charge) to profit and loss account	**338**	(153)
At 31 December	**171**	(167)

The deferred tax (liability)/asset is made up as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	**24**	(58)
Share options	**-**	101
Other timing differences	**147**	(210)
At 31 December	**171**	(167)

16 PROVISIONS

	Onerous contracts £'000	System Integration £'000	Leasehold dilapidations £'000	Total £'000
At 1 January 2016	-	-	36	36
New provision	-	-	234	234
At 31 December 2016	-	-	270	270
New provision	**44**	**65**	**-**	**109**
At 31 December 2017	**44**	**65**	**270**	**379**

The dilapidations provision relates to the Company's current leased offices in London. This provision will unwind over the course of the lease agreements.

16 PROVISIONS (CONTINUED)

System integration costs relate to the process of incorporating both Hydrogen and Argyll Scott onto the same IT and CRM platform enabling not only business synergies but providing business continuity and creating cost savings for the Group.

Onerous contracts relate to pre-agreed deals that are no longer viable for the Group following the merger with Argyll Scott.

17 SHARE CAPITAL

	2017	2016
Authorised		
1,500 Ordinary 'A' shares of £1 each	**1,500**	1,500
8,500 Ordinary 'B' shares of £1 each	**8,500**	8,500
100 Ordinary 'C2' shares of £0.01 each	**100**	-
100 Ordinary 'C3' shares of £0.01 each	**100**	-
150 Ordinary 'C4' shares of £0.01 each	**150**	-
100 Ordinary 'C5' shares of £0.01 each	**100**	-
100 Ordinary 'C6' shares of £0.01 each	**100**	-
100 Ordinary 'C7' shares of £0.01 each	**100**	-
50 Ordinary 'D1' shares of £0.01 each	**50**	-
50 Ordinary 'D2' shares of £0.01 each	**50**	-
	10,000	10,000

	2017 £	2016 £
Allotted, issued and fully paid		
1,500 Ordinary 'A' shares of £1 each	**1,500**	1,500
2,249 Ordinary 'B' shares of £1 each	**2,249**	2,249
100 Ordinary 'C2' shares of £0.01 each	**1**	-
100 Ordinary 'C3' shares of £0.01 each	**1**	-
150 Ordinary 'C4' shares of £0.01 each	**2**	-
100 Ordinary 'C5' shares of £0.01 each	**1**	-
100 Ordinary 'C6' shares of £0.01 each	**1**	-
100 Ordinary 'C7' shares of £0.01 each	**1**	-
50 Ordinary 'D1' shares of £0.01 each	**1**	-
50 Ordinary 'D2' shares of £0.01 each	**1**	-
	3,758	3,749

Apart from the rights set out below, the voting rights of each class of share are the same.

The chairman, if there is one, has no casting vote. A majority of 'A' and 'B' shareholders is entitled to appoint and remove 'B' Directors, 'B' shareholders alone cannot remove 'A' Directors. There is no distinction between classes when voting dividends, but 'B' shareholders may only be voted dividends at general meetings. 'A' and 'B' shares rank equally in a winding up.

'C' and 'D' shares have attached to them no voting, dividend and capital distribution rights.

18 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

19 ULTIMATE PARENT COMPANY

The ultimate parent company is Hydrogen Group plc, a company registered in England and Wales. The smallest and largest set of accounts into which these accounts are consolidated is Hydrogen Group plc. Copies of the financial statements of Hydrogen Group plc which include the company for which group accounts have been prepared are available from the Company Secretary and from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.