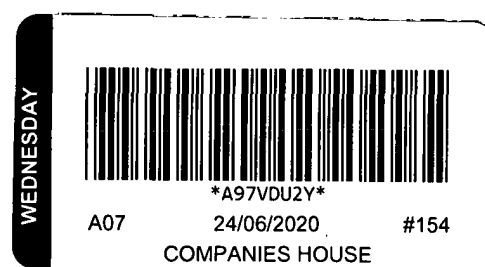


Lets Connect IT Solutions Limited
Financial statements
For the year ended 31 December 2019



Company No. : 06872301

Company information

Company registration number :	06872301
Registered office :	John Ormond House 899 Silbury Boulevard Milton Keynes Buckinghamshire MK9 3XL
Trading Address:	Sorenson House Units F & G, Smiths Way Saxon Business Park Bromsgrove Worcestershire B60 4GA
Directors :	D Frost M Dugdale S Mace R Thompson
Secretary :	S Mace
Banker :	Lloyds Bank plc 25 Gresham Street London EC2V 7HN
Solicitor :	Dentons UKMEA LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1FE
Auditor :	EY LLP Statutory Auditor 25 Churchill Place Canary Wharf London E14 5EY

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Strategic report

Background

Lets Connect IT Solutions Limited was incorporated in 2009 and is an employee benefits provider, specialising in salary sacrifice technology products, focussing on large enterprises in the private and public sector.

On 7 March 2014, Personal Group Holdings Plc (PGH) acquired 100% of the equity interest in the Company and the Company changed its accounting period date to 31 December to fall in line with its new parent company. Two executive directors of PGH are also directors of Lets Connect IT Solutions Limited.

In 2015, PGH transferred its shareholding in Lets Connect to a mid-level holding company Personal Group Limited (PGL). PGH retains a 100% shareholding in PGL.

Business review

The majority of the Company's gross profit arises from the sale of technology products with the remainder arising from commission received from finance companies that provide funding to some of the enterprises who purchase products from the Company.

The technology products are sold to clients as part of their employee benefit provision such that the products are available under salary sacrifice for their individual employees. This usually happens in a fixed 'window of opportunity' at each client and the products available are generally the most recently available models. The Company does now, for some clients, permanently open windows to provide greater flexibility for customers and increased earning opportunities throughout the year.

Whilst the business remains seasonal with 47% of the turnover for the year to December 2019 arising in the last two months of the year (2018: 56%) certain employers have moved towards 'always open' windows which allow their staff greater purchasing flexibility and results in less seasonality for the Company. As a result of the remaining seasonality, the debtors and creditors on the balance sheet at 31 December 2019 are significant.

As previously stated the change in salary sacrifice rules during 2017 greatly simplified the system, however, the required changes led to certain schemes requiring longer to update their internal systems whilst others waited to understand the full impacts of the new rules before recommitting to schemes for their staff. The directors are pleased with the businesses recovery since 2017 and envisage further growth moving into 2020. Increasingly employee benefits are at the forefront of human resource agendas and the Company found increased interest in the new offerings during 2019.

Principal risks and uncertainties

PGH's risk management policies (see Note 3 of PGH's financial statements) cover all Group subsidiary undertakings.

Due to the seasonality of the business, the biggest risk is cash flow management over periods during which no active purchasing window exists for customers, and in the build up to purchasing windows where stock is purchased in advance of the receipt of funds from the customer. This is mitigated by support from the Group which is not a seasonal business and so can advance funds if required to meet any liabilities as they fall due.

Following the UK's notification of intention to leave the EU, we are now in a period of heightened uncertainty as the terms of the UK's exit from the EU and subsequent relationships are not yet clear. All of Company's customers are UK resident and so it is not expected that leaving the EU will have a significant direct impact on the business. Indirect impacts may include the risk of employers cutting back on salary sacrifice schemes in the wake of a no-deal exit from the EU. This could impact the availability of the Company to continue to reach its target market, however, it may also result in the product being more valuable to employees as they look for ways to attract and retain staff.

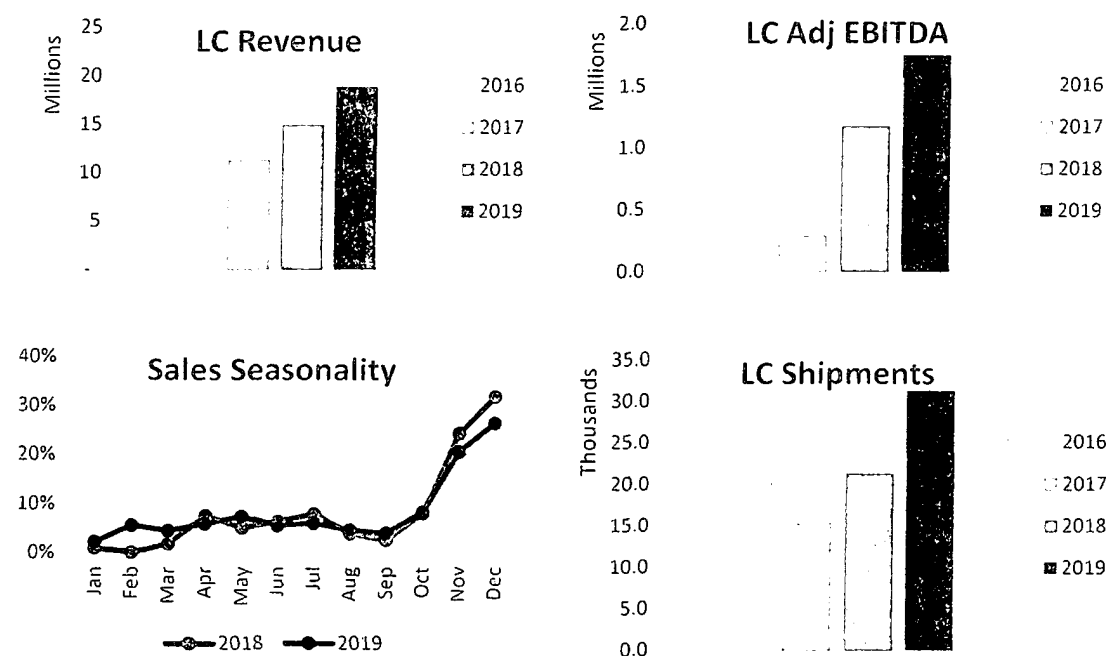
Strategic report

The Company is continually in communication with new potential customers and has a strong pipeline moving into 2020, however, the Company is dependent on a few significant customers running each year. This is mitigated through contracts with employers but also through regular updates with key customers to ensure their needs are being met by the current offering.

Due to the nature of the business, there are minimal significant accounting estimates or assumptions used in the preparation of the financial statements as all assets and liabilities can be stated at accurate values following the accounting policies as stated in pages 15-19.

The risk surrounding the recent outbreak of coronavirus (COVID-19) has been discussed below.

Key performance indicators and results



Alternative performance measures

The Company uses an alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measure when reviewing performance of the Company in the form of adjusted EBITDA*. As such, this measure is considered important and should be considered alongside the IFRS measures.

For adjusted EBITDA*, the adjustments are separately disclosed and are items that are non-underlying to trading activities and which are significant in size. For example, movement in the tax provision is considered to be a non-underlying item as it relates to a liability inherited on acquisition and has the potential to fluctuate and be of significant size and can fluctuate based on judgmental assumptions made.

Profit before tax for the year to 31 December 2019 was £2,821k (2018: £1,632k). The increase in profit is due to a number of new schemes running during the year partly a result of some employers returning to the salary sacrifice provision market following years of upheaval. This increase includes the release of £1,259k of provisions (see note 10).

Strategic report

The Company also believes adjusted EBITDA* to be the most appropriate measure of performance, reflecting the underlying profitability of the business. Adjusted EBITDA* for the year was £1,750k (2018: £1,178k). A reconciliation of adjusted EBITDA* to profit before tax is detailed below:

	2019	2018
	£'000	£'000
Profit before tax	2,821	1,632
- Interest	21	28
- Depreciation	112	107
- Amortisation	55	57
- Release of provision	(1,259)	(646)
Adjusted EBITDA*	<u>1,750</u>	<u>1,178</u>

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets and release of tax provision. This definition applies to all references to EBITDA within these report and accounts.

Dividends

During the year, ordinary dividends of £500,000 (2018: £2,000,000) were paid. An additional £500,000 of dividends were declared at year-end with payment being made in February 2020 (2018: £nil).

Future developments

The Company believes that it will continue to thrive heading into 2020, lead generation is strong and a new joint proposition with the rest of Personal Group looks set to reap benefits for Lets Connect moving forward.

Impact of COVID-19 outbreak

The outbreak of COVID-19 and the varying response from employers has had a mixed impact on the Company's performance during the early part of 2020. Some employers have decided to postpone sales windows in the current climate whereas others have decided to continue to run in order to provide staff the opportunity to purchase technology to aid in working from home. What impact the virus will have on sales for the remainder of the year remains to be seen but indications are that the traditional seasonality of sales into Q4 will continue. Some issues have been noted with supply, but the Company has been able to source all products for orders with little or no delay to customers.

Management are confident that the Company's strong financial position and operational resilience will enable it to continue to operate during the current challenges caused by COVID-19.

Despite the substantial global impact of the COVID-19 virus, which necessitates a significant degree of prudence for 2020, we remain positive in terms of the longer-term outlook for the business. We have implemented our contingency plans and the majority of the wider Group's employees are working from home. We have considered the developing COVID-19 situation in detail and have modelled numerous scenarios. Whilst we expect that the ongoing impacts of the virus could have a material impact on EBITDA for 2020, we remain confident that the business will remain profitable with a strong balance sheet and no debt.

Strategic report

Whilst the current challenges being faced in the light of COVID-19 may temporarily change our focus in the short term, they may also present longer-term opportunities as employers increase salary sacrifice technology opportunities following this protracted period of the economy working from home.

ON BEHALF OF THE BOARD



S Mace
Director
19 June 2020

Report of the directors

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

Principal activity

The Company is principally engaged in providing employee benefits, specialising in salary sacrifice technology products. There are no plans for the Company to change its principal activity in the foreseeable future.

The Company is owned by Personal Group Holdings Plc, a leading provider of employee benefits and employee related insurance products.

Results

The profit before tax for the year to 31 December 2019 was £2,821k (2018: £1,632k).

Political contributions

The Company has not made any political contributions in the year to 31 December 2019 (2018: £Nil)

Directors

The membership of the Board is set out below.

D K Frost (appointed 28 February 2019)
M I Dugdale
M Scanlon (resigned 28 February 2019)
S Mace (appointed 30 November 2019)
R Thompson (appointed 30 November 2019)

During the year all directors and officers were covered by third party indemnity insurance.

Disclosure of information to auditor

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

Auditor

The Group Audit Committee undertook an audit tender process which resulted in the proposal to appoint EY LLP (EY) as the group's external auditor which was approved at the 2019 AGM. Therefore, 2019 was the first year of appointment of EY.

BY ORDER OF THE BOARD



S Mace
Director
19 June 2020

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Report of the independent auditor to the members of Lets Connect IT Solutions Limited

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Opinion

We have audited the financial statements of Lets Connect IT Solutions Limited for the year ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 16, 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 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 company's affairs as at 31 December 2019 and of its profit or the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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.

Emphasis of Matter – Effects of COVID-19

We draw attention to Note 16 of the financial statements, which describes the economic and operational consequences the company is facing as a result of COVID-19 which is impacting potential results of the Company. Our opinion is not modified in respect of this matter.

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 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Ratburn'.

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
19 June 2020

Profit and loss account and other comprehensive income

	Note	2019 £'000	2018 £'000
Turnover		18,922	14,970
Cost of sales		<u>(15,648)</u>	<u>(12,298)</u>
Gross profit		3,274	2,672
Administration expenses		(1,698)	(1,660)
Finance costs		<u>(21)</u>	<u>(28)</u>
Operating profit	1	1,555	984
Interest receivable and similar income		7	2
Provision release	1	<u>1,259</u>	<u>646</u>
Profit before taxation		2,821	1,632
Tax on profit	3	<u>(320)</u>	<u>(186)</u>
Total comprehensive income		<u>2,501</u>	<u>1,446</u>

There are no other items of other comprehensive income. All operations are classed as continuing activities.

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible fixed assets	4	153	170
Tangible fixed assets	5, 14	104	200
		<u>257</u>	<u>370</u>
Current assets			
Stocks	6	440	456
Debtors	7	10,770	10,763
Cash at bank and in hand		152	960
		<u>11,362</u>	<u>12,179</u>
Creditors: amounts falling due within one period	8	<u>(7,883)</u>	<u>(8,987)</u>
Net current assets		3,479	3,192
Total assets less current liabilities		3,736	3,562
Creditors: amounts falling due over one period	8	(5)	(73)
Deferred taxation liabilities	9	(5)	(5)
Other provision for liabilities	10	-	(1,259)
Total assets less total liabilities		<u>3,726</u>	<u>2,225</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		3,726	2,225
Shareholders' funds		<u>3,726</u>	<u>2,225</u>

The financial statements were approved by the Board on 19 June 2020, and signed on its behalf by;



S Mace

Company number: 06872301

The accompanying accounting policies and notes form part of these financial statements

Statement of changes in equity

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2018	-	2,779	2,779
Profit for the financial year	-	1,446	1,446
Dividends paid in the year		(2,000)	(2,000)
Balance as at 31 December 2018	-	2,225	2,225
Profit for the financial year	-	2,501	2,501
Dividends declared in the year	-	(1,000)	(1,000)
Balance as at 31 December 2019	-	3,726	3,726

Dividends paid per ordinary share in the year were £500,000 (2018: £333,000). An additional £500,000 was declared at the year-end with payment being made in February 2020 (2018: £nil)

Principal accounting policies

Basis of preparation

Lets Connect IT Solutions Limited (the “Company”) is a company incorporated and domiciled in England & Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 have been applied.

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

The Company’s ultimate parent undertaking, Personal Group Holdings Plc includes the Company in its consolidated financial statements. The consolidated financial statements of Personal Group Holdings Plc are prepared in accordance with IFRS and are available to the public and may be obtained from Companies House.

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

- Cash Flow Statement and related notes (IAS 1 paragraphs 10(d), 38A and 111 and IAS 7);
- Statement of compliance with all IFRSs (IAS 1 paragraph 16);
- Disclosures in respect of capital management (IAS 1 paragraphs 134-136);
- The effects of new but not yet effective IFRSs (IAS 8 paragraphs 30 and 31);
- Disclosures in respect of the compensation of Key Management Personnel (IAS 24 paragraphs 17 and 18A); and
- Disclosures in respect of transactions with wholly owned subsidiaries (IAS 24).

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

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following note;

- Provision for PAYE tax liabilities (Note 10) – whether a provision is required and the relevant amount.

No significant assumptions or estimates which have a significant effect on the financial statements have been required in the preparation of these financial statements.

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

The financial statements have been prepared under the historical cost convention. The Companies functional and presentational currency is Sterling.

Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts. Revenue is recognised when the goods are dispatched which, in accordance with IFRS 15, is the point at which the Company has fulfilled the performance obligation related to the income being recognised.

Principal accounting policies (continued)

Also included in turnover is finance commission received from a third-party finance house for referral of companies to facilitate the purchase of the goods supplied by Lets Connect. Revenue is recognised when the goods to which the financing applies have been dispatched which, as above, is the point at which the relevant performance obligation has been satisfied.

All turnover relates to the Company's principle activity and is generated in the UK.

IFRS 15 Assessment	
Performance Obligations	Provision of technology goods to employer companies.
Transaction Price	Purchase price varies dependant on product purchased but is clearly indicated.
Allocation of Price	Prices are allocated by product, volumes and values.
Satisfaction of Obligations	Revenue is recognised on dispatch as Group has met its performance obligation as per the contracts in place.

No significant judgements have been applied in determining the amount and timing of revenue recognition.

Going concern

The financial statements are prepared on a going concern basis. In considering going concern, the directors have reviewed the Company's available financial resources, historical performance and the impact of COVID-19, over the next 12 months from the date of signing the financial statements. Various stress and scenario tests have taken place to assess the potential impact on the Company, and the wider Group, of COVID-19. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance over the next 12 months. Having prepared and considered these stress scenarios the Directors have concluded that the Company will be able to operate without requiring any external funding and therefore believe it is appropriate to prepare the financial statements of the Company on a going concern basis. This is supported by the Company continuing to make sales during this period, a strong balance sheet and consistent cash collection. The Company's ultimate parent has confirmed that Group support would be available should the need arise.

Changes to Accounting Policies

In order to comply with the policies of its Parent and the wider Group, the Company adopts new standards applicable to IFRS, as appropriate. No new standards have been adopted in the year, IFRS 16 having been early adopted in 2018. Details for leases can be found in the leases accounting policy below and a reconciliation can be found in note 14.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Lease improvements	–	Over the term of the lease
Plant & machinery	–	Over 5 years
Motor vehicles	–	Over 3 years
Office equipment	–	Over 5 years
Right of use assets	–	Over the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

Principal accounting policies (continued)

Intangible assets

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

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	–	3 – 5 years
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Non-derivative financial instruments

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance

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

The Company holds no derivative financial instruments.

Impairment

The Company assesses on a forward-looking basis, the expected credit losses (“ECL”) associated with its debt instrument assets carried at amortised costs. The Company recognises a loss allowance for such losses at each reporting date. The Company measures ECL on each balance sheet date according to a three stage ECL impairment model:

Stage 1 – from initial recognition of the financial asset to the date on which the asset has experienced a significant increase in credit risk (SICR) relative to its initial recognition, a loss allowance is equal to the credit loss expected to result from default occurring over 12 months following the reporting date.

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset. Where an SICR is no longer observed, the instrument will move back to Stage 1.

Stage 3 – when the financial asset is considered to be credit impaired, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset. Interest and revenue is calculated based on the gross carrying amount of the asset, net of the loss allowance.

The measurement of the ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

Principal accounting policies (continued)

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

Cash at bank and in hand

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Provisions

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

Leases

Under IFRS 16 Leases, with the exception of short term or low value leases, all operating and finance leases are accounted for in the balance sheet. On inception of the lease, the future payments, including any expected end of life costs, are calculated based on the stated interest rate in the lease or on the Group's internal interest rate. A 'Right of Use' asset is created at an equal value depreciated over the life of the lease which is determined by the contract with any break clauses being reviewed as to the expected use at the time of inception and at each following year end. Payments made to the lessor are debited to the balance sheet and the Profit and Loss is charged with monthly depreciation and interest which is included as finance costs in the accounts.

Low value leases or short life leases of less than one year are expensed directly into the Profit and Loss account on a straight line over the life of the lease.

Principal accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Contributions to pension funds

The pension costs charged against profits represent the amount of the contributions payable to the personal defined contribution pension scheme in respect of the accounting period.

Costs incurred to fulfil a contract

Costs incurred to fulfil a contract under IFRS 15 are recognised as an asset under certain conditions laid out in IFRS 15.95. The capitalised contract costs are amortised on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer. Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in the profit or loss. There are no contracts in the Group for which these conditions are met and, as such, no assets have been recognised.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.

Notes to the financial statements

1 Profit before taxation

	2019 £'000	2018 £'000
Profit before taxation is stated after:		
Auditor's remuneration:		
- audit fees	25	23
Amortisation and depreciation	167	164
Release of tax provision (see Note 10)	<u>1,259</u>	<u>646</u>

The 2019 audit fees are payable to Ernst and Young LLP and the 2018 fees were payable to KPMG LLP.

2 Directors and employees

Staff costs during the period were as follows:

	2019 £'000	2018 £'000
Wages and salaries	1,001	873
Social security cost	119	120
Pension	48	42
	<u>1,168</u>	<u>1,035</u>

The average number of employees (including executive directors) employed by the Company was 26 (2018: 24), 4 (2018: 5) of whom were sales and marketing employees and 22 (2018: 19) of whom were administration employees.

The split of remuneration for Directors relating to the Company is:

	2019 £'000	2018 £'000
Aggregate remuneration in respect of qualifying services	112	121
Gains on exercise of share options	-	45
Pension contributions to executive and group personal pension schemes	<u>3</u>	<u>4</u>

The aggregate of remuneration in respect of qualifying services and amounts receivable under long term incentive schemes of the highest paid director was £50k (2018: £61k), and company pension contributions of £1k (2018: £2k) were made to a money purchase scheme on his behalf.

During the year no directors (2018: none) exercised share options and received shares under a long-term incentive scheme. During the year, 4 directors (2018: 2 directors) participated in a group personal pension scheme.

Notes to the financial statements (continued)

Remuneration for directors was borne by other Group companies with the exception of one director.

3 Tax on profit

The relationship between the expected tax expense based on the effective tax rate of Lets Connect IT Solutions Limited at 19.00% (2018: 19.00%) and the expense actually recognised in the profit and loss can be reconciled as follows.

	2019 £'000	2018 £'000
Recognised in the profit and loss account		
Current tax expense	313	182
In respect of prior year	7	-
Deferred tax (Note 9)		
Origination and reversal of temporary differences	-	4
Actual tax expense	<u>320</u>	<u>186</u>
Reconciliation of effective tax rate		
Profit before tax	2,821	1,632
Tax rate	19.00%	19.00%
Expected tax expense	536	310
Adjustment for non-deductible expenses	16	15
Adjustment for tax exempt revenue	(239)	(123)
Adjustment in respect of prior years	7	(12)
Origination and reversal of temporary timing differences	-	(4)
Actual tax expense	<u>320</u>	<u>186</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2018: 19.00%). A further reduction to 17.00% is due on 1 April 2020 which was substantively enacted on 15 September 2016. These will reduce future tax charges accordingly.

The deferred tax at 31 December 2019 has been calculated based on the rate which will be in force when the asset or liability crystallises.

Notes to the financial statements *(continued)*

4 Intangible fixed assets

	Software £'000
Cost	
At 1 January 2019	321
Additions	38
Disposals	-
At 31 December 2019	359
Amortisation	
At 1 January 2019	151
Provided in the period	55
At 31 December 2019	206
Net book value at 31 December 2019	153
Net book value at 31 December 2018	170

All amortisation has been recognised as an administration expense in the profit and loss account.

5 Tangible fixed assets

	Lease improve ments £'000	Plant & Machinery £'000	Furniture, fixtures & fittings £'000	Right of Use Assets £'000	Total £'000
Cost					
At 31 December 2018	38	65	96	201	400
Additions	-	-	11	5	16
Disposals	-	-	-	(5)	(5)
At 31 December 2019	38	65	107	201	411
Depreciation					
At 1 January 2019	23	45	58	74	200
Provided in the period	7	8	19	78	112
Disposals in Period	-	-	-	(5)	(5)
At 31 December 2019	30	53	77	147	307
Net book value at 31 December 2019	8	12	30	54	104
Net book value at At 31 December 2018	15	20	38	127	200

All depreciation has been recognised as an administration expense in the profit and loss account. Right of Use assets relate to Motor Vehicles and Building leases, a breakdown for which can be found in Note 14.

Notes to the financial statements (*continued*)

6 Stock

	2019 £'000	2018 £'000
Finished goods	440	456
	<u>440</u>	<u>456</u>

7 Debtors

	2019 £'000	2018 £'000
Trade debtors	10,505	10,480
Other debtors	265	283
	<u>10,770</u>	<u>10,763</u>

The trade debtors above are net of an expected credit loss provision of £21,000 (2018: £32,000)

A weighted average ageing of the expected loss provision is shown below:

	Trade debtor £'000	Weighted average provision %	Credit loss provision £'000
Not Invoiced	3,541	0.2%	10
Current	6,912	0.1%	7
30 Days	26	1.0%	-
60 Days	25	2.5%	1
90 Days	2	7.5%	-
150 Days	20	15.0%	3
	<u>10,526</u>	<u>0.2%</u>	<u>21</u>

	Credit Loss Provision £'000
Stage 1	21
Stage 2	-
Stage 3	-
Total	21

Set out below is the movement in the allowance for expected credit losses of trade receivables and contracted assets:

Notes to the financial statements (*continued*)

	2019 £'000	2018 £'000
At 1 January	32	–
Provision for expected credit losses	21	32
Provision release	(32)	–
At 31 December	21	32

8 Creditors:

Amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	4,847	5,007
Corporation tax	312	202
Social security and other taxes	443	393
Other creditors	1,448	1,269
Other creditors – Right of Use Assets	80	63
Amount owed to group undertaking	753	2,053
	<u>7,883</u>	<u>8,987</u>

The majority of amounts owed to group undertakings are generated from the dividend declared of £500K which is yet to be paid. The remainder of the balance is due to the provision of services from other group undertakings and are repayable on demand. These amounts are non-interest bearing.

Amounts falling over one year

	2019 £'000	2018 £'000
Other creditors – Right of Use Assets (Note 14)	5	73
	<u>5</u>	<u>73</u>

9 Deferred tax

	2019 £'000	2018 £'000
At 1 January	5	9
Profit and loss movement arising in period	-	(4)
At 31 December	<u>5</u>	<u>5</u>

The deferred tax liability consists of £5k (2018: £5k) in respect of accelerated capital allowances.

Notes to the financial statements (*continued*)

10 Provisions

	2019 £'000	2018 £'000
Provision for national insurance investigation		
Provision as at 1 January	1,259	1,905
Released in the profit and loss account	(1,259)	(646)
Provision as at 31 December	<u>-</u>	<u>1,259</u>

As at 31 December 2019, the provision has been reduced to £nil. The release of £1,259,000 is as a result of the remaining liability being settled in October 2019 directly with HMRC by the previous Directors of Let's Connect.

No payments were made to HMRC by the Company during 2019 in respect of these schemes (2018: £nil).

11 Share capital

	2019 £	2018 £
Allotted, called up and fully paid	-	-
2 Ordinary shares of £1 each	2	2
1 S Ordinary share of £100	100	100
1 T Ordinary share of £150	150	150
	<u>252</u>	<u>252</u>

12 Capital commitments

The Company had no capital commitments at 31 December 2019 or 31 December 2018.

13 Contingent liabilities

There were no contingent liabilities at 31 December 2019 or 31 December 2018.

Notes to the financial statements (*continued*)

14 Leases

Following the adoption of IFRS16 the balance sheet at 31st December 2019 includes assets and liabilities relating to Right of Use (ROU) assets as detailed below:

Amounts recognised in the balance sheet

Right of use Assets	Net Book Value of Assets	Lease Liabilities
Motor Vehicles	£28,000	£29,000
Buildings	£26,000	£56,000

The initial valuation of the asset is equal to the discounted lease liability on the inception of the lease and this is depreciated over the shorter of either the life of the asset or the lease term.

Amounts recognised in the statement of profit or loss

	Depreciation Charges	Interest Expense (finance costs)
Motor Vehicles	£52,000	£7,000
Buildings	£26,000	£14,000

Liquidity risk on outstanding lease commitments.

Total lease payments due until the end of relevant leases, total £101,000 (2018: £184,000). An analysis of these payments due is as follows:

	2019 £'000	2018 £'000
Leases which expire:		
Within one year	96	86
In one to five years	5	98
More than five years	-	-
	<u>101</u>	<u>184</u>

Lease payments for the year recognised as a reduction in Lease Liabilities were: Motor Vehicles: £24k (2018: £26k) and Buildings: £52k (2018: £63k)

15 Ultimate controlling related party

The immediate parent undertaking is Personal Group Limited, the ultimate Parent undertaking of this company is Personal Group Holdings plc. Both companies are registered in England and Wales. The address of both companies is as follows:

John Ormond House
899 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 3XL

Notes to the financial statements (*continued*)

The only group of undertakings for which group accounts have been drawn up is that headed by Personal Group Holdings Plc. Copies of these group accounts may be obtained from Companies House.

As a wholly owned subsidiary of Personal Group Holdings Plc the company has taken advantage of the exemption available under FRS 101 not to disclose transactions with other members of the group headed by Personal Group Holdings Plc.

16 Post balance sheet events

At the time of issuing this report the UK is in the 'delay' phase of dealing with the Coronavirus (COVID-19) which the Company considers to be a non-adjusting event. While there has been minimal impact on the Company to date, demand and income are likely to be impacted by the situation in the short term and the extent of this will be dependent on the length of the lockdown. Various stress and scenario testing have taken place to assess the potential impact on the Company, and the Group, considering the impact on demand and income, together with liquidity and potential cost saving measures for the Company. The Company has put into place business continuity plans, including flexible and remote working for staff as well as additional financial reporting and forecasting, and has full capability to support its clients and maintain business operations.