

Techstream Group Holdings Limited
(formerly Cloudstream Group Holdings Limited)

Report and Financial Statements

Year ended

31 December 2018

Company Number 10421892



Techstream Group Holdings Limited

Report and consolidated financial statements for the year ended 31 December 2018

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Directors

P Beeke
I Nash
M Petrie

Registered office

49 - 52 Bow Lane, London, England, EC4M 9DJ

Company number

10421892

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Techstream Group Holdings Limited

Strategic report for the year ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Strategy

The Group was founded in 2016 under the name Cloudstream Group Holdings as a specialist recruitment business by a team of experienced recruitment and staffing entrepreneurs.

From its foundation until April 2018, the principal activity of the Group was providing recruitment services focuses on supporting and transforming technology development, talent and operations.

The Group operated in five core sectors: Fin Tech, Sci Tech, Digital Tech, Consul Tech and Critical Tech serving world leading global leaders in Information Technology and Energy sectors.

In late 2017, the decision between the shareholders of EarthStream and CloudStream was made to combine and build a larger combined offering through the establishing of the Techstream holding company and overarching brand, along with four trading arms Earthstream, Cloudstream, Autostream and Cyberstream, to operate under Techstream.

The combination was finalised in April 2018 and Earthstream Global Holdings Ltd (re-named to Techstream Group International Limited) along with all its subsidiaries was acquired by Cloudstream Global Holdings Limited which was then re-named to Techstream Group Holdings Ltd. With the new structure, several share options were issued to the key personnel of the Group in order to incentivise and guarantee delivery of the long-term strategy.

The Group is headquartered in the UK with offices in Spain, Singapore, USA, Germany, Switzerland and South Africa.

In June 2018, the Group acquired the assets of Voyage Global Energy via Earthstream Global Ltd. Voyage Energy is a talent provider to the Energy & Engineering sector. The business provides a mix of global permanent and contract services with specialist knowledge of the renewable and power generation markets. With Voyage on board, the Earthstream Brand has strengthened the current offering and provides expertise in key markets and technologies.

In November 2018, the Group acquired 80% of PH.D Search & Selection Ltd via Cloudstream Global Ltd. PH.D Search & Selection Ltd is a recruitment company for C-Suite Executives and brings with it 25 years of experience in Financial Services and Management Consultancy Recruitment. The business has been built on a deep understanding of these sectors and has a long-term track record of delivering experts into some of the world's top companies. With PH.D on board, the Cloudstream Brand has strengthened the current offering and provide expertise in key markets and technologies.

Financial Review and Key Performance Indicators

Due to the merge with the energy & resources industry sector focused recruitment business, the gross profit decreased by 15% from £5,313k in 2017 to £4,531k in 2018.

Sales Turnover increased from £29.5 million in 2017 to £ 39.5 million in 2018.

Despite being loss making for the period it is recognised that the Group went through an operational restructuring and incurred staff severance costs as the support functions for the business were relocated to Cape Town, South Africa from London. This therefore replicates the cost savings which EarthStream has enjoyed by relocating the back office support function into South Africa in 2016.

Several entities contributed to the improvement with profits in Singapore, USA, Germany and South Africa.

Techstream Group Holdings Limited

Strategic report (*continued*)
for the year ended 31 December 2018

Principal risks and uncertainties

The directors consider the following to be the principle risks and uncertainties of the group:

Credit risk: The company is exposed to the risk of payment default by customers for services rendered. This risk is monitored by regular reviews of outstanding items and ongoing dialogue with customers.

Liquidity risk: The company finances its operations through retained earnings and a fixed rate invoice finance facility. The company's policy is to maintain good relationships with its bankers to ensure that sufficient facilities are in place to fund the company's needs as it expands.

Competition: The recruitment sector is competitive and as such the company continues to face competitor risk in the markets where we operate.

Legislation: The recruitment industry is becoming increasingly legislated; the company takes a proactive approach by utilising top specialist advisers to deal with any issues that arise.

Skill Shortage: Like most specialist recruitment firms, the company continues to be faced with the constant challenge of skill shortages. Mitigation of this risk is achieved by succession planning, training of staff, competitive pay structures and career progression.

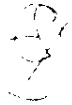
Economic: Recruitment activity is largely driven by economic cycles and the levels of business confidence. The Board look to reduce the company's cyclical risk by identify emerging markets to broaden both its client and geographical base to build a robust long-term business.

Approval

This strategic report was approved on behalf of the Board on

30 September 2019

Ian Nash
Director



Techstream Group Holdings Limited
Directors' report
for the year ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Results and dividends

The income statement is set out on page 6 and shows the loss for the year.

The directors do not recommend a final ordinary dividend (2017 - £Nil)

Directors

The directors of the company during the year and subsequent to the year were

P Beeke

I Nash

M Petrie

Directors' responsibilities

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 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). 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 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.


On behalf of the Board of Directors

Ian Nash

Date 30-09-19

Techstream Group Holdings Limited

Independent auditor's report

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TECHSTREAM GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of Techstream Group Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and the 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 Group's and the Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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.

Techstream Group Holdings Limited

Independent auditor's report (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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' report, 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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



Tim Neathercoat (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date

30 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Techstream Group Holdings Limited

Consolidated Income statement for the year ended 31 December 2018

	Note	2018 £'000	Period from 12 October 2016 to 31 December 2017 £'000
Turnover	3	39,486	29,499
Cost of sales		(34,955)	(24,186)
Gross profit		4,531	5,313
Administrative expenses		(4,183)	(5,653)
Operating profit/(loss)	5	348	(340)
Operating loss - including exceptional costs and amortisation		348	(340)
Amortisation	9	510	160
Exceptional costs (Restructuring costs)	6	371	190
Operating profit - excluding exceptional costs and amortisation		1,229	10
Interest payable and similar charges	7	(641)	(286)
Other income		98	-
Loss on ordinary activities before taxation		(195)	(626)
Taxation on loss from ordinary activities	8	(16)	(2)
Loss on ordinary activities after taxation		(211)	(628)
Attributable to:			
- Owners of the company		(195)	(628)
- Minority interests		(16)	-

All amounts relate to continuing activities.

The notes on pages 13 to 21 form part of these financial statements.

Techstream Group Holdings

Consolidated statement of other comprehensive income for the year ended 31 December 2018

		Period from 12 October 2016 to 31 December
	Note	2018 £'000
		2017 £'000
Loss for the financial year		(211)
Exchange translation differences on retranslation of subsidiaries		(259)
Total recognised losses in the year		(470)

The notes on pages 13 to 21 form part of these financial statements.

Techstream Group Holdings Limited

Consolidated balance sheet as at 31 December 2018

<i>Company number 10421892</i>	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments	9		-		-
Intangible asset	10		5,573		639
Tangible assets	11		177		11
			<hr/>		<hr/>
			5,750		650
Current assets					
Debtors	12	9,733		7,096	
Cash at bank and in hand		516		245	
		<hr/>		<hr/>	
		10,249		7,341	
Creditors: amounts falling due within one year	13	(9,007)		(7,119)	
		<hr/>		<hr/>	
Net current assets			1,242		222
			<hr/>		<hr/>
Total assets less current liabilities			6,992		872
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	14		(8,080)		(1,500)
Provisions for liabilities			-		(2)
			<hr/>		<hr/>
Net liabilities			(1,088)		(630)
			<hr/>		<hr/>
Represented by:					
Capital and reserves					
Share capital	16		-		-
Profit and loss account			(823)		(628)
Translation differences			(261)		(2)
Minority interest			(4)		-
			<hr/>		<hr/>
Shareholders' deficit			(1,088)		(630)
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on

30-05-19

Ian Nash
Director



The notes on pages 13 to 21 form part of these financial statements.

Techstream Group Holdings Limited

Company balance sheet as at 31 December 2018

Company number 10421892	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments	8		2,000		-
			<u>2,000</u>		<u>-</u>
Current assets					
Debtors	12	1,680		-	
		<u>1,680</u>		<u>-</u>	
Creditors: amounts falling due within one year	13	-		-	
Net current assets			<u>1,680</u>		<u>-</u>
Total assets less current liabilities			<u>3,680</u>		<u>-</u>
Creditors: amounts falling due after more than one year	14		<u>(3,680)</u>		<u>-</u>
Net assets			<u>-</u>		<u>-</u>
Represented by:					
Capital and reserves					
Share capital	16		-		-
Profit and loss account			<u>-</u>		<u>-</u>
Shareholders' reserve			<u>-</u>		<u>-</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2019

The Company has taken advantage of the exemption available under the Companies Act 2006 to not present its own income statement in these financial statements. The result for the year for the parent Company on a standalone basis was £nil (2017: £nil).



Ian Nash
Director

The notes on pages 13 to 21 form part of these financial statements.

Techstream Group Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Translation differences £'000	Shareholders' deficit £'000	Minority interest £'000	Total equity £'000
12 October 2016	-	-	-	-	-	-
Changes in equity						
Currency translation differences	-	-	(2)	(2)	-	(2)
Loss for the period	-	(628)	-	(628)	-	(628)
31 December 2017	-	(628)	(2)	(630)	-	(630)
1 January 2018	-	(628)	(2)	(630)	-	(630)
Comprehensive income for the year:						
Currency translation differences	-	-	(259)	(259)	-	(259)
Loss for the year	-	(195)	-	(195)	(16)	(211)
Contributions by and distributions to owners						
Dividends	-	-	-	-	-	-
Other movements	-	-	-	-	12	12
Total contributions by and distributions to owners	-	-	-	-	12	-
31 December 2018	-	(823)	(261)	(1,084)	(4)	(1,088)

The notes on pages 13 to 21 form part of these financial statements.

Techstream Group Holdings Limited

Company statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Shareholders' reserve £'000
12 October 2016	-	-	-
Changes in equity			
Issue of share capital	-	-	-
Result for the year	-	-	-
31 December 2017	-	-	-
1 January 2018	-	-	-
Comprehensive income for the year:			
Result for the year	-	-	-
Contributions by and distributions to owners			
Dividends	-	-	-
Other movements	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2018	-	-	-

The notes on pages 13 to 21 form part of these financial statements.

Techstream Group Holdings

Consolidated statement of cash flows as at 31 December 2018

<i>Company number 10421892</i>	Note	2018 £'000	2017 £'000
Cash outflows from operating activities			
Cash generated/(expended) from operations	20	533	(717)
Interest paid		(562)	(286)
Tax paid		(43)	30
Impact of translation differences		(250)	-
Net cash outflows from operating activities		(322)	(973)
Cash flows from investing activities			
Business acquisitions, net of acquired cash		121	-
Purchase of intangible fixed assets		(463)	(799)
Purchase of tangible fixed assets		(114)	(12)
Interest received		7	-
Net cash from investing activities		(449)	(811)
Cash flows from financing activities			
Net loan proceeds from related parties		-	409
New loans issued		1,291	1,620
Repayment of loans		(249)	-
Net cash from financing activities		1,042	2,029
Increase in cash and cash equivalents		271	245
Cash and cash equivalents at the start of the year		245	-
Cash and cash equivalents at the end of the year		516	245

The notes on pages 13 to 21 form part of these financial statements.

Techstream Group Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

Techstream Group Holdings Limited is a private company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities are set out in the directors' report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

Company disclosure exemptions

In preparing the separate financial statements of the company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the company as the results are included in the totals for the group as a whole in the consolidated financial statements of the ultimate parent; and
- Disclosures in respect of the company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole in the consolidated financial statements of the ultimate parent; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the totals for the group as a whole in the consolidated financial statements of the ultimate parent.

The following principal accounting policies have been applied:

Basis of consolidation

These financial statements consolidate the results and position of the Company's subsidiaries for the year to 31 December 2018 and for the comparative period from 12 October 2016 to 31 December 2017.

Control of the Group's subsidiaries is predicated based on the majority share ownership of those subsidiaries by the Company, whether directly or indirectly

The results of the full year of all subsidiaries is consolidated for the full financial year under audit, aside from those subsidiaries acquired in the year (Techstream Group International Limited, PHD Search and Select Limited, and the trade and assets acquired from Voyage Global Energy Limited), for which the consolidation includes only the results attributable to the portion of the year for which those entities were

Going concern

The group has net liabilities of £1.1 million (2017: £0.6 million) at the balance sheet date. The group's business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 and 2. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Instruments section of the Strategic Report on pages 1 and 2. In addition, the Strategic Report also includes the group's objectives, policies and processes for managing its financial risk management objectives; details of its financial instruments; and its exposures to credit risk, interest rate risk and liquidity risk.

The directors have prepared forecasts for the period to December 2020 which show the business will continue as a Going concern for the foreseeable future, therefore the accounts have been prepared on a Going Concern basis. The assumptions used in the forecasts incorporate the principal risks detailed in the directors report, and do not indicate any working capital concerns for the company or group.

There has been an underachievement of 6% of Net Fee Income when compared against the 2018 Budget which is largely due to a slower than anticipated year-on-year growth of the contractor books in Cloudstream and Earthstream UK. The overhead costs were 2% favourable versus budget which was driven by the relocation of back office operations into South Africa.

The shareholders have provided assurances that they will continue to support the group going forward for a period of not less than 12 months from the signing of these financial statements through not seeking repayment of their loans during this period.

Presentational currency

The presentational currency and functional currency determined by the directors is GBP, being the currency in which the majority of the Group's sales, purchases and payroll are earned and incurred respectively.

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Foreign currency transactions

The Group records transactions in the functional currency of each of its subsidiaries separately (these differing from £ sterling for entities domiciled in overseas jurisdictions). Where transactions in each of these subsidiaries differ from the functional currency of that entity, the transaction is recorded at the exchange rate prevailing on the date of that transaction.

Monetary assets and liabilities are retranslated at the year end where these are receivable or payable in a currency different to the functional currency, at the rate prevailing at the year end date. The exchange differences arising on such translation are recognised within the income statement of the respective entities.

The results of overseas subsidiaries in different functional currencies to the presentational currency of the Group (the £) are translated using an average rate for the year that management consider to be materially consistent with the results that would be obtained from retranslating all individual transactions at the transaction date throughout the year as noted above.

The year end balance sheets of those overseas subsidiaries are translated at the foreign currency to sterling conversion rate at the year end (irrespective of whether or not they are monetary assets), while opening reserves are converted at the rate prevailing at the start of the financial year. The differences on translating overseas subsidiaries are recognised directly within the statement of other comprehensive

Turnover

Turnover in respect of permanent placement fees is recognised when the company has fulfilled its contractual obligations in accordance with the underlying contracts. Depending on the contract, this is either on the start date of the candidates' employment, or when a candidate accepts an offer of employment and a start date has been determined. Where revenue is recognised on acceptance the directors considers the likelihood of withdrawal and makes a provision accordingly.

Turnover in respect of temporary placements is recognised when the service has been rendered and accepted by the client. Turnover excludes value added tax.

Revenue derived from long term contracts is recognised according to the number of placements made.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking, or an unincorporated business, is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Impairment tests on the carrying value of goodwill are

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Contracts

Contracts represent the expected net profit contribution of acquired assets from certain business combinations which are then amortised on a straight line basis over the period through which they are expected to be economically useful to the company.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Contracts:	Straight line over 5 years
Goodwill:	Straight line over 5 years

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight line basis

- Leasehold improvements - over the life of the lease
- Computer equipment - 33 1/3% straight line method
- Fixtures, fittings and equipment - 20% straight line method

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by the carrying amount and are recognised in the income statement.

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and taken into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and are measured at an undiscounted basis.

The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Pension costs and other post-retirement benefits

The Company operates a defined contribution pension scheme and makes contributions to the scheme on behalf of its employers.

These contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 11)*

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Amounts owed from group undertakings*

Management regularly assess balances due from other entities within the Group and whether these are recoverable. Where it is considered that the future cash flows of these debts are less than the carrying amount in the Techstream Group Holdings Limited entity financial statements appropriate provisions are made against these balances to reflect the recoverability of the asset.

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

3	Turnover			
	<i>Group</i>		Period from 12 October 2018 to 31 December	
	Turnover is wholly attributable to the principal activity of the company			
		2018 £'000	2017 £'000	
	UK and Europe	37,259	27,071	
	Middle East and Africa	906	1,985	
	Asia Pacific	1,321	543	
		<u>39,486</u>	<u>29,499</u>	
4	Employees			
	<i>Group</i>		Period from 12 October 2018 to 31 December	
	Staff costs consist of: Wages and salaries Social security costs Other pension costs	2018 £'000	2017 £'000	
		5,045	3,423	
		450	202	
		184	1	
		<u>5,659</u>	<u>3,626</u>	
	The average number of employees, including directors, during the year was 97 (2017 – 27)			
	The company does not directly employ any staff and therefore the disclosures of employee costs required under the Companies Act 2006 are not relevant here in the context of "company only" figures			
5	Operating profit/(loss)			
	<i>Group</i>		Period from 12 October 2018 to 31 December	
	This has been arrived at after charging	2018 £'000	2017 £'000	
	Depreciation	43	1	
	Amortisation of intangibles	510	160	
	Auditors remuneration			
	- Audit of the group and parent company accounts	41	13	
	- Audit of the group's subsidiaries pursuant to legislation	41	-	
	Foreign exchange (gains)/losses	(118)	19	
6	Exceptional costs			
	Exceptional costs relate to costs incurred on the acquisitions, IT migrations, a new BU which did not mature as forecasted (and the decision was made to discontinue as a form of risk avoidance) and redundancy payments due to the Voyage acquisition			
7	Interest payable and similar expenses			
	<i>Group</i>		Period from 12 October 2018 to 31 December	
		2018 £'000	2017 £'000	
	Interest on loan and invoice discounting	641	286	
8	Taxation on loss from ordinary activities			
	<i>Group</i>		Period from 12 October 2018 to 31 December	
		2018 £'000	2017 £'000	
	<i>Current tax</i>			
	Corporation tax charge for the year	16	-	
	Adjustment in respect of previous years	-	2	
	Total current tax	<u>-</u>	<u>2</u>	

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

8 Taxation on loss from ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £'000	Period from 12 October 2016 to 31 December 2017 £'000
Loss on ordinary activities before tax	(195)	(526)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 - 19.25%):	(37)	(121)
Effects of:		
Expenses not deductible for tax purposes	185	11
Capital allowances in excess of depreciation	-	(2)
Non-reversing timing differences	-	31
Losses carried forward	-	81
Taxes suffered in overseas jurisdictions	16	-
Deferred tax not recognised	(88)	-
Income not taxable	(39)	-
Other timing differences leading to an increase/(decrease) in tax	-	2
Total tax charge	16	2

No deferred tax asset has been recognised in respect of losses carried forward due to the unpredictability of future profit streams against which these losses could be offset. Under present legislation these losses can be carried forward indefinitely.

9 Investments

Company

Shares in Subsidiary Undertakings

	£'000
Cost	
At 31 December 2018	2,000

The Company's principal subsidiary undertakings are as follows:

Subsidiary undertaking	Country of Registration	Registered office address	Class	Holding type	Shares held %	Activity
Cloudstream Global Limited	UK	49-52 Bow Lane London, England EC4M 9DJ	Ordinary	Direct	100%	Recruitment services
Cloudstream Asia Pacific Pte Limited	Singapore	9 Battery Road, 26-02 Straits Trading Building, Singapore 049910	Ordinary	Indirect	100%	Recruitment services
PHD Search and Select Limited	UK	Durand, Strathclyde Pitlochry, Scotland PH9 0PJ	Ordinary	Indirect	80%	Research
Cloudstream Global International Limited	UK	49-52 Bow Lane London, England EC4M 9DJ	Ordinary	Direct	100%	Holding company
Techstream Group Talent Services SL	Spain	Calle Altamira 5, Edificio Ayala, Planta 2 Spain, 11311	Ordinary	Indirect	100%	Recruitment services
Techstream Global Recruitment Limited	Republic of Ireland	Big Chartered Accountants 3rd Floor, the Boathouse Bishop Street, Dublin 8 Ireland	Ordinary	Indirect	100%	Recruitment services
Techstream Group International Limited	UK	49-52 Bow Lane London, England EC4M 9DJ	Ordinary	Direct	100%	Holding company
CHIF Limited	UK (Northern Ireland)	49-52 Bow Lane London, England EC4M 9DJ	Ordinary	Indirect	100%	Recruitment services
Earthstream Global Limited	UK	49-52 Bow Lane London, England EC4M 9DJ	Ordinary	Indirect	100%	Recruitment services
Earthstream Global GmbH	Germany	Dechaoui Street 65 80335 Munich Germany	Ordinary	Indirect	100%	Recruitment services
Techstream Group Inc.	USA	25 Broadway, Suite 9033 New York, 10004	Ordinary	Indirect	100%	Recruitment services
Earthstream Global Pte	Singapore	9 Battery Road, 26-02 Straits Trading Building, Singapore 049910	Ordinary	Indirect	100%	Recruitment services
Earthstream Global SL	Spain	Calle Altamira 5, Edificio Ayala, Planta 2 Spain, 11311	Ordinary	Indirect	100%	Recruitment services
Earthstream Global (Schweiz) GmbH	Switzerland	Leutschenbachstrasse 95 CH-8050 Zurich Switzerland	Ordinary	Indirect	100%	Recruitment services

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

9	Investments (continued)					
	Earthstream Global KK	Japan	c/o QCIC Consulting K.K. Umezaki Building 3F 4-4-4 Hatchobori Chuo-ku, Tokyo 104-0032	Ordinary	Indirect	100% Recruitment services
	ESG 1 Limited	UK	49-52 Bow Lane London, England EC4M 8DJ	Ordinary	Indirect	100% Holding company
	Earthstream Global Consulting GmbH	Germany	Spalding Street 218 Hamburg, Germany 20097	Ordinary	Indirect	100% Recruitment services
	Techstream Group Talent Services (Pty) Limited	South Africa	Longdoof Studios Darters Road, Gardens Cape Town South Africa, 8001	Ordinary	Indirect	100% Recruitment services
	Techstream Group Consulting Services (Pty) Limited	South Africa	Longdoof Studios Darters Road, Gardens Cape Town South Africa, 8001	Ordinary	Indirect	100% Recruitment services

The following subsidiaries were exempted from the requirement to a statutory audit in the year by virtue of taking the s479A exemption from audit through issuance of a parental guarantee by Techstream Group Holdings Limited

- Techstream Group International Limited
- ESG 1 Limited

10	Intangible fixed assets					
	Group	Goodwill Techstream Group International Limited £'000	Goodwill PHD Search and Select Limited £'000	Contracts Voyage Global Energy Limited £'000	Contracts Simply Executive Contractors Limited £'000	Totals £'000
	Cost					
	At 1 January 2018	-	-	-	799	799
	Additions	4,809	172	463	-	5,444
	Acquired with business combinations	-	-	-	-	-
	At 31 December 2018	4,809	172	463	799	6,243
	Amortisation					
	At 1 January 2018	-	-	-	160	160
	Charged within the year	321	2	54	133	510
	Acquired with business combinations	-	-	-	-	-
	At 31 December 2018	321	2	54	293	670
	Net book value					
	At 31 December 2018	4,488	170	409	506	5,573
	At 31 December 2017	-	-	-	639	639

On 3 April 2018, the entire share capital of Techstream Group International Limited was purchased by the Company for consideration of £2,000k, generating goodwill of £4,809k within the financial statements of the Group. Consideration was settled through the issuance of £2,000k of loan notes to the vendors along with purchase of all shares at consideration of £nil

On 11 July 2018, certain business trade and assets of Voyage Global Energy Limited were acquired for a net consideration of £463k. The principal assets purchased were control over the benefit of a number of contracts, trade debtors net of invoice discounting liabilities, certain fixed assets and the liability to the remaining lease of relevant premises. Consideration was settled through the payment of cash upfront to the vendor of the business.

On 15 March 2017, an asset purchase agreement was executed whereby, the business and certain assets and liabilities of Simply Executive Contractors Limited were purchased by the Group for consideration of £799k. The principal asset purchase was the debts and the benefits of the contracts.

On 8 November 2018, 80% of the share capital of PHD Search and Selection Limited was acquired by the Group for consideration of £155k, generating goodwill of £172k on the purchase. Consideration was settled through the payment of cash to the vendors. £75k was paid to year end with another £85k remaining to be paid in other creditors.

11	Tangible assets				
	Group	Computer equipment £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
	Cost				
	At 1 January 2018	9	3	-	12
	Additions	32	51	31	114
	Addn on acquisition	286	80	58	424
	Disposals	-	(7)	-	(7)
	At 31 December 2018	327	127	89	543
	Depreciation				
	At 1 January 2018	1	-	-	1
	Charge for the year	30	7	6	43
	Addn on acquisition	219	54	58	329
	Disposals	-	(7)	-	(7)
	At 31 December 2018	250	54	62	366
	Net book value				
	At 31 December 2018	77	73	27	177
	At 31 December 2017	8	3	-	11

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

12	Debtors	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
	Trade debtors	9,129	6,700	-	-
	Amounts owed by group undertakings	-	-	1,680	-
	Other debtors	337	67	-	-
	Accrued income	72	276	-	-
	Prepayments	195	53	-	-
		9,733	7,096	1,680	-

All amounts shown under debtors fall due for payment within one year. Amounts owed by group undertakings attract no interest.

13	Creditors: amounts falling due within one year	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
	Trade creditors	2,532	2,040	-	-
	Amounts owed to associates	-	410	-	-
	Social security and other taxes	322	235	-	-
	Other creditors	241	12	-	-
	Amounts owed under invoice discounting arrangements	4,895	3,572	-	-
	Directors loan accounts	101	120	-	-
	Accruals and deferred income	916	730	-	-
		9,007	7,119	-	-

The company's invoice discounting facility is secured on the company's trade debtors.

14	Creditors: amounts falling due after more than one year	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
	Shareholder loans	4,400	1,500	-	-
	Loan note series A	430	-	430	-
	Loan note series B	1,250	-	1,250	-
	Loan note series C	2,000	-	2,000	-
		8,080	1,500	3,680	-

The shareholders have confirmed they would need to give at least one year and a day's notice for the loans to be repaid. No notice has been received as at the date of the approval of these financial statements. Amounts due from shareholders hold no contractual repayment date or interest assessable.

Loan note series A comprises loans made to three shareholders of the Group (two of whom are directors). The principal on the note is repayable in 5 years from the date of the loan being issued, 2 April 2023. Interest is charged at a rate of 10% in the first year of issue, 15% in the second year of issue, and 20% in the final three years of issue. The interest payable does not compound and is payable in full in the event of any early repayment of the principal of the loan.

Loan note series B comprises loans made to a shareholder of the Group (who is a director). The principal on the note is repayable in 5 years from the date of the loan being issued, 2 April 2023. Interest is charged at a rate of 10% in the first year of issue, 15% in the second year of issue, and 20% in the final three years of issue. The interest payable does not compound and is payable in full in the event of any early repayment of the principal of the loan.

Loan note series C comprises loans made to a shareholder of the Group. The principal on the note is repayable in 5 years from the date of the loan being issued, 2 April 2023. Interest is charged at a rate of 10% in the first year of issue, 15% in the second year of issue, and 20% in the final three years of issue. The interest payable does not compound and is payable in full in the event of any early repayment of the principal of the loan.

The gross maturity analysis of loans falling due (excluding the shareholder loans) is as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loan payments falling due within 1 year	506	-	506	-
Loan payments falling due within 1-2 years	690	-	690	-
Loan payments falling due within 2-5 years	5,704	-	5,704	-
Total gross payments	6,900	-	6,900	-
Less future interest payments	(3,220)	-	(3,220)	-
Balance sheet value	3,680	-	3,680	-

15	Financial Instruments	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
	Financial assets				
	Financial assets that are debt instruments measured at amortised cost			10,054	7,288
	Financial liabilities				
	Financial liabilities measured at amortised cost			16,785	8,384

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

16 Share capital

Group and company

Allotted, called up and fully paid

Number	Class		Nominal Value	Capital £'000
4,002	Ordinary 'A'	£	0.01	-
4,002	Ordinary 'B'	£	0.01	-
2,000	Ordinary 'C'	£	0.01	-
1,557,207	Ordinary 'D'	£	0.001	-
6,899	Ordinary 'E'	£	0.001	-
11,000	Ordinary 'F'	£	0.001	-
4	Ordinary 'G'	£	0.01	-
				-

The following shares were allotted and fully paid for cash at par during the period

4,002 Ordinary 'A' shares of £0.01 each
4,002 Ordinary 'B' shares of £0.01 each
2,000 Ordinary 'C' shares of £0.01 each
1,557,207 Ordinary 'D' shares of £0.001 each
6,899 Ordinary 'E' shares of £0.001 each
11,000 Ordinary 'F' shares of £0.001 each
4 Ordinary 'G' shares of £0.01 each

17 Business combinations

PHD Search and Select Limited

On 8 November 2018, the company acquired 80% of the share capital of PHD Search and Select Limited for cash consideration of £155k (note 9). Of the £155k consideration, £75k has been settled and £80k remains to be paid within other creditors.

The following shows the fair value of the net assets acquired and the consideration discharged in their purchase

	Book and fair value £'000
Net liabilities acquired	(16)
Purchase consideration	155
Allocated to:	
Goodwill	171

The goodwill noted above has been accounted for in the financial statements of the Group headed up by Techstream Group Holdings Limited

Since acquisition, PHD Search and Select Limited has contributed revenues of £84k and profits of £63k

Voyage Global Energy Limited

On 11 July 2018, the company acquired certain business trade and assets of Voyage Global Energy Limited for cash consideration of £463k

The following shows the fair value of the net assets acquired and the consideration discharged in their purchase

	Book and fair value £'000
Gross margin on client contracts	642
Tangible fixed assets	31
Trade debtors	619
Invoice discounting facility	(373)
Lease contract to be discharged	(403)
Other creditors	(53)
Net assets acquired	463
Purchase consideration	463
Allocated to:	
Net benefit of client contracts (note 9)	463

Since acquisition, the acquired assets of Voyage Global Energy Limited have contributed revenues of approximately £4.5m. The impact on profit is not possible to identify

Techstream Group International Limited

On 3 April 2018, the company acquired 100% of the share capital of the Group headed up by Techstream Group International Limited, for consideration of £2,000k.

The following shows the fair value of the net assets acquired and the consideration discharged in their purchase

	Book and fair value £'000
Tangible fixed assets	115
Trade and other debtors	3,103
Trade and other creditors	(2,886)
Cash	196
Long term loans	(3,537)
Net liabilities acquired	(2,809)
Purchase consideration (non-cash transaction)	2,000
Allocated to:	
Goodwill	4,509

Since acquisition, the consolidated group headed up by Techstream Group International Limited has contributed revenues of £11,087k and profits of £398k.

Techstream Group Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

18 Related party transactions

Included in creditors due in less than one year and creditors due in more than one year are the following amounts due to directors of the Group

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
I Nash	475	-	50	-
P Beeke	2,934	-	330	-
M D Petrie	1,600	1,620	1,250	-
	5,009	1,620	1,630	-

I Nash's loan to the business constituted the issue of £50k of series A loan notes as described in note 14, and £425k that was acquired with the Techstream Group International Limited acquisition as noted in note 17. The repayment terms of these loans are as per note 14. No amount has been written off and no interest is outstanding.

P Beeke's loan to the business constituted the issue of £330k of series A loan notes as described in note 14, £1,412k that was acquired with the Techstream Group International Limited acquisition as noted in note 17, and £1,192k of loans issued to Cloudstream Global Limited, a subsidiary of the Group. The repayment terms of these loans are as per note 14. No amount has been written off and no interest is outstanding.

M Petrie's loan to the business constituted the issue of £1,250k of series B loan notes as described in note 14 (in extinguishment of the equivalent balance within Cloudstream Global Limited, a subsidiary). £250k of long term loans with Cloudstream Global Limited not replaced with loan note B, and £100k of unpaid salary. The repayment terms of these loans are as per note 14. No amount has been written off and no interest is outstanding.

The company has taken advantage of the exemption allowed by FRS 102 'Related Party disclosures' not to disclose any transactions with members of the group headed Earthstream Global Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Total compensation paid in the year to key management personnel amounted to £1,130k.

19 Ultimate controlling party

In the opinion of the directors there is no ultimate controlling party.

20 Operating cash flow reconciliation

	Period from 12 October 2016 to 31 December	
	2018	2017
	£'000	£'000
Result before taxation	(195)	(626)
Adjust for:		
Depreciation and amortisation	553	161
Interest payable	641	286
Interest receivable	(7)	-
Taxation expense	16	-
Foreign exchange gains and losses	(118)	(2)
Decrease/(increase) in trade and other debtors	461	(7,096)
(Decrease)/increase in trade and other creditors	(638)	6,560
Cash generated/(expended) from operations	533	(717)

21 Operating lease commitments

The group and company had the following land and buildings commitments to non-cancellable operating leases at the balance sheet date

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Falling due within 1 year	577	-	-	-
Falling due within 2-5 years	620	-	-	-
Falling due in more than 5 years	-	-	-	-
Total	1,197	-	-	-