Registered Number: 02569728

Klesch & Company Limited

Consolidated Financial Statements for the year ended 31 December 2021

Registered Office:
16 Palace Street
London
SW1E 5JD

Klesch & Company Limited

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Strategic report
for the year ended 31 December 2021

The directors present their Strategic report for the year ended 31 December 2021.

Principal Activities

The Company's main activity is the sourcing of potential acquisition targets and, as appropriate, managing the acquisition process on behalf of clients. All clients are connected parties. Klesch focuses primarily on acquiring businesses in Metals and Mining, Oil and Gas, Power Generation, Chemicals, Traditional Industrials and Infrastructure Sectors. The Company also offers management and commercial services to entities within the Klesch Group.

Based in London, England, the Company's activities are regulated by the Financial Conduct Authority.

Key Performance Indicator

The directors consider the profit before tax as the key financial target against which the performance of the Company is measured.

Results and Dividends

The consolidated profit and loss account for the Group is set out on page 11. The turnover for the year was £5,045,000 (2020: £3,780,000) and profit before taxation at £8,106 (2020: £9,763). The directors do not recommend the payment of a dividend (2020: £nil). The profit after taxation for the year of £7,465 (2020: £8,294) will be transferred to retained profit.

Business Review and Future Prospects

During the year under review, the business of the Company developed in a satisfactory manner, with a continued search of the Company's international network of senior level business contacts relevant to the sourcing of future deal-flow opportunities for the Company. The nature of the Company's experience and expertise in corporate restructurings and turnarounds will enable it to take advantage of the continuing softness in the international economic environment and the financial markets generally in 2022.

Principal Risks and Uncertainties

The principal risk of the Company would be if the debtors became uncollectible. This risk is managed by reviewing the debtors on an ongoing basis and any outstanding debtors (all of which are related parties, under common beneficial ownership) are chased to ensure timely settlement. There have been no bad debts identified to date.

Covid-19

In the years of 2020 to 2022 a global pandemic (Coronavirus – Covid-19) has had far-reaching consequences for the overall global economy and for the Company.

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While restrictions on movement have challenged the Company's operational capabilities, the cloud-based IT infrastructure has enabled all staff to work from any internet-connected device at home and the business continues to function and the Company continues to supply services to related Group entities.

The directors have conducted a detailed review of the current and future cash requirements of the Company and believe that the Company will continue to be remunerated for its services by the related Group companies. The Company has sufficient cash reserves to remain operating for the foreseeable future, although if the worst-case scenario does materialise and related Group revenues are not received, there is a material uncertainty which may cause significant doubt about the Company's ability to continue as a going concern. Details are included in note 2.2.1 of the financial statements.

On behalf of the board

Ed Horne

E C Horne
Director

30/5/2022

Klesch & Company Limited

Directors' report
for the year ended 31 December 2021

The directors present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

Directors

The directors of the Company, both of whom had been directors for the whole financial year, as at 31 December 2021 are listed below.

A G E Klesch – Chairman

E C Horne

Directors' Interests

The interests of the directors in shares of the Company were:

	2021	2020
	£	£
Ordinary Shares of £1 each		
A G E Klesch	**93,000**	93,000

Close Company Provisions

The Company is a close company as defined by the provision of the Income and Corporation Taxes Act 1988. There has been no change in this respect since 31 December 2020.

Donations

During the year the Company made £nil (2020: £nil) charitable donations.

Directors' Responsibilities Statement

The directors are responsible for preparing the strategic report and 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 FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." 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 and profit or loss of the Company and Group for that period.

Directors' report
for the year ended 31 December 2021 (continued)

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; 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware;
- the directors have assessed the material uncertainty caused to the Company as a result of the Covid-19 developments and have concluded that it remains appropriate to continue to adopt the going concern basis in the preparation of the financial statements;
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information;
- the directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions; and
- the directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

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Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Ed Horne

E C Horne
Director

30/5/2022

Klesch & Company Limited

Independent auditor's report to the members of Klesch & Company Limited

Opinion

We have audited the financial statements of Klesch & Company Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated and company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.2.1 of the financial statements, which indicates that as a result of the current global Covid-19 pandemic, parent company revenues may not be received and the Group may require additional finance. As stated in note 2.2.1, these events or conditions, along with the other matters as set forth in note 2.2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Our Responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the consolidated financial statements, 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

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Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

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The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors. We determined that the most significant laws and regulations were applicable Financial Services and Markets Act 2000 (FSMA 2000) legislation and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006;

- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company's board meetings;

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
  - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation and journals with unusual account combinations; and
  - challenging the assumptions and judgements made by management in its significant accounting estimates.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - knowledge of the industry in which the Company operates; and
- understanding of the legal and regulatory frameworks applicable to the Company, and
- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the rules and interpretative guidance issued by the Financial Conduct Authority applicable to the Company and the scope of its authorisation; and
- the Company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the Company's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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.

Grant Thornton UK LLP

Mitesh Tanna
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

30/5/2022

Klesch & Company Limited

Consolidated profit and loss account
For the year ended 31 December 2021

	Notes	2021	2020
		£	£
Turnover	4	**5,045,000**	3,780,000
Other income		**236,246**	236,246
Administrative expenses	6	**(5,271,832)**	(4,004,465)
Operating profit	5	**9,414**	11,781
Interest receivable and similar income	7	**2**	10
Interest payable and similar charges	8	**(1,310)**	(2,028)
Profit before taxation		**8,106**	9,763
Taxation	11	**(641)**	(1,469)
Profit for the financial year	20	**7,465**	8,294

The Group had no gains or losses other than those included in the profit and loss account above. Therefore, no separate statement of comprehensive income has been presented.

There is no difference between the profit on ordinary activities before taxation and profit for the year stated above and their historical cost equivalents.

All amounts relate to continuing operations.

The notes on pages 16 to 30 are an integral part of these financial statements.

Klesch & Company Limited

Consolidated balance sheet
At 31 December 2021

	Notes	2021	2020
		£	£
Fixed assets			
Tangible assets	12	**37,214**	67,372
		37,214	67,372
Current assets			
Debtors: due within one year	14	**982,164**	512,587
Cash at bank and in hand	17	**1,831,173**	1,609,046
		2,813,337	2,121,633
Creditors			
Amounts falling due within one year	15	**1,632,043**	946,417
		1,632,043	946,417
Net current assets		**1,181,294**	1,175,216
Creditors: Amounts falling due after more than one year	16	**-**	31,545
Net assets		**1,218,508**	1,211,043
Capital and reserves			
Called up share capital	19	**93,000**	93,000
Retained profit	20	**1,125,508**	1,118,043
Shareholders' funds	21	**1,218,508**	1,211,043

The notes on pages 16 to 30 were approved by the board of directors on 30/5/2022 and were signed on its behalf by:

Ed Horne

E C Horne
Director

Registered Company Number: 02569728

Klesch & Company Limited

Company balance sheet
At 31 December 2021

	Notes	2021	2020
		£	£
Fixed assets			
Tangible assets	12	**37,214**	67,372
Investment in subsidiaries	13	**5,003**	5,003
		42,217	72,375
Current assets			
Debtors: due within one year	14	**982,164**	512,587
Cash at bank and in hand	17	**1,831,173**	1,609,046
		2,813,337	2,121,633
Creditors			
Amounts falling due within one year	15	**1,637,046**	951,420
		1,637,046	951,420
Net current assets		**1,176,291**	1,170,213
Creditors: Amounts falling due after more than one year	16	**-**	31,545
Net assets		**1,218,508**	1,211,043
Capital and reserves			
Called up share capital	19	**93,000**	93,000
Retained profit	20	**1,125,508**	1,118,043
Shareholders' funds	21	**1,218,508**	1,211,043

During the year, the Company made a total comprehensive profit of £7,465 (31 December 2020: £8,294).

The Group had no gains or losses other than those included in the profit and loss account above. Therefore, no separate statement of comprehensive income has been presented.

The notes on pages 16 to 30 were approved by the board of directors on 30/5/2022 and are signed on its behalf by:

Ed Horne

E C Horne
Director

Registered Company Number: 02569728

Klesch & Company Limited

Consolidated and company statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Profit and loss account	Total
	£	£	£
At 1 January 2020	**93,000**	**1,109,749**	**1,202,749**
Profit and total comprehensive income for the year	-	8,294	**8,294**
At 31 December 2020	**93,000**	**1,118,043**	**1,211,043**
Profit and total comprehensive income for the year	-	7,465	**7,465**
At 31 December 2021	**93,000**	**1,125,508**	**1,218,508**

The notes on pages 16 to 30 are an integral part of these financial statements.

Klesch & Company Limited

Consolidated cash flow statement
for the year ended 31 December 2021

	Notes	2021 £	2020 £
Cash from operating activities			
Profit for the financial year		**7,465**	8,294
Depreciation of tangible fixed assets	12	**31,081**	32,965
Decrease/(increase) in debtors		**(468,454)**	256,065
Increase in creditors		**684,317**	280,659
Foreign exchange gain	5	**1,914**	4,868
Taxation	11	**641**	1,469
Interest received	7	**(2)**	(10)
Interest paid	8	**1,310**	2,028
Cash inflow from operations		**258,272**	586,338
Taxation (Paid)		**(455)**	(2,962)
Net cash inflow generated from operating activities		**257,817**	583,376
Cash flows from investing activities			
Purchases of tangible assets	12	**(923)**	(4,947)
Interest received	7	**2**	10
Net cash from investing activities		**(921)**	(4,937)
Cash flows from financing activities			
Interest paid	8	**(1,310)**	(2,028)
Repayment of capital element of finance leases		**(31,545)**	(28,587)
Net cash from financing activities		**(32,855)**	(30,615)
Net decrease in cash and cash equivalents		**224,041**	547,824
Foreign exchange	5	**(1,914)**	(4,868)
Cash and cash equivalents at the beginning of year		**1,609,046**	1,066,090
Cash and cash equivalents at end of year		**1,831,173**	1,609,046

The notes on pages 16 to 30 are an integral part of these financial statements.

Klesch & Company Limited

Notes to the consolidated financial statements
for the year ended 31 December 2021

1 Company Information

Klesch & Company Limited ('the Company') is a limited liability company and was incorporated on the 19 December 1990 in the United Kingdom. The address of its registered office is 16 Palace Street, London, SW1E 5JD.

2 Basis of Preparation and statement of compliance

2.1 Statement of compliance

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 and with the Companies Act 2006.

2.2 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The financial statements are presented in Sterling (£).

2.2.1 Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and on the going concern basis.

In 2020 to 2022 a global pandemic (Coronavirus – Covid-19) has had far-reaching consequences for the overall global economy and the Parent Company. The Parent Company has been implementing measures to ensure that it is as prepared as it can be. While restrictions on movement have challenged the Parent Company's operational capabilities, the cloud-based IT infrastructure has enabled all staff to work from any internet-connected device at home and the business continues to function. The Parent Company is confident that the steady income stream from related Group companies, the available cash resources, strong financial position, letter of support from related Group Companies.

Based on the above, and after taking into account the impact of Covid -19 on the Parent Company's future trading, the directors have a reasonable expectation that the Parent Company has adequate resources to continue in operational existence for the foreseeable future and believe that it remains appropriate to continue to adopt the going concern basis in the preparation of the financial statements. However, in the event that the aforementioned related Group companies' revenues are not received the Parent Company may require additional finance, this represents a material uncertainty that may cast significant doubt on the Parent Company's ability to continue as a going concern.

2.2.2 Basis of consolidation

These consolidated financial statements include those of the Company and all of its subsidiaries. None of the subsidiaries have traded during the year ended 31 December 2021.

Klesch & Company Limited

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2.2.3 Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write the cost of tangible fixed assets down to their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

- Furniture, fixtures and office equipment are depreciated on a 4-year straight-line basis.
- Leased tangible fixed assets are depreciated over the life of the lease.

2.2.4 Investments

Investments in subsidiaries are stated at cost.

2.2.5 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.2.6 Creditors

Short-term trade creditors are measured at the transaction price. Other financial liabilities, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.2.7 Finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets, depreciated, and assessed for impairment losses in the same way as owned assets.

2.2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash equivalents comprise short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value and have an original maturity of three months or less.

Bank overdrafts are classified as short-term borrowings in current liabilities in the statement of financial position.

2.2.9 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised as a current year expense, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

2.2.10 Pension

The Company operates a stakeholder defined contribution pension scheme for the benefit of employees and directors. The scheme is administered by the pension provider Aviva.

2.2.11 Turnover

Turnover, which excludes value added tax consists principally of management fees for services charged to connected parties and which arise wholly from within Europe. Of the total turnover of £5,045,000, £1,380,000 arises from the United Kingdom and the balance from the rest of Europe.

2.2.12 Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the applicable effective interest rate. Interest income is recognised within the consolidated profit and loss statement for all interest bearing financial instruments on an accrual basis using the effective interest method.

2.2.13 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Sterling (£) at the exchange rates prevailing at the balance sheet date. Trading exchange gains and losses are included in net operating expenses.

3 Significant judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from management estimates, and our estimates can be revised in the future, negatively or positively, depending upon the outcome or changes in expectations based on the facts surrounding each estimate.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Useful lives of furniture, fixtures and office equipment

The estimation of the useful life of an item of furniture, fixtures and office equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates (see note 12).

3.2 Impairment testing of fixed assets

The Company analyses the indicators for impairment and performs tests of impairment for the property, plant and equipment of the Company wherein at each reporting date the recoverable value of the property, plant and equipment (which is the higher of value in use and the fair value less cost to sell) with the carrying value of those assets is compared. At 31 December 2021, the value in use was significantly above the carrying values and there was no impairment to be recorded in the financial statements (see note 12).

3.3 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies (see note 18).

4 Turnover

Turnover consists principally of management fees for services charged to connected parties and which arise wholly from within Europe. Of the total turnover of £5,045,000, £1,380,000 arises from the United Kingdom and the balance from the rest of Europe.

5 Operating profit

Operating profit is stated after charging:	**2021** **£**	2020 £
Depreciation of tangible fixed assets – owned	**1,577**	3,620
Depreciation of tangible fixed assets – held under finance leases and hire purchase contracts	**29,344**	29,345
Fees payable to the Company's auditors for the audit of the annual financial statements	**18,750**	16,500
Fees payable to the Company's auditors for services related to taxation	**7,800**	7,800
Fees payable to the Company's auditors for other assurance services	**6,250**	4,750
Exchange loss	**1,914**	4,868

As permitted by section 408 of the Companies Act 2006, the holding Company's profit and loss account has not been included in these financial statements. The holding Company's retained profit for the financial year was £7,465 (2020: £8,294).

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

6 Analysis of net operating expenses

	2021	2020
	£	£
Personnel expenses	**3,490,130**	2,299,821
Office expenses	**1,480,705**	1,432,919
Others	**300,997**	271,725
	5,271,832	4,004,465

7 Interest receivable

	2021	2020
	£	£
Interest received from external banks	**2**	10
	2	10

8 Interest payable and similar charges

	2021	2020
	£	£
Finance leases & hire purchase contracts	**1,310**	**2,028**
	1,310	**2,028**

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

9 Directors' emoluments

	2021	2020
	£	£
Aggregate emoluments (including benefits in kind)	709,999	303,333
Pension contributions	-	6,667
Total directors' aggregate emoluments	709,999	310,000

The highest paid director received remuneration of £709,999 (2020: £303,333).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2020: £6,667).

The Company operates a stakeholder defined contribution pension scheme for the benefit of employees and directors. The scheme is administered by the pension provider Aviva.

10 Employee information

The average monthly number of persons (including executive directors) employed by the Company and the Group during the year was:

	2021	2020
By activity	Number	Number
Executive directors	2	2
Administration	20	21
	22	23

	2021	2020
Staff costs (for the above persons)	£	£
Salaries	2,958,271	1,739,511
Social security costs	373,278	229,578
Pension contributions	158,581	178,114
	3,490,130	2,147,203

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

11 Taxation

	2021	2020
Corporation Tax	**£**	£
At 19% (2020:19%)	**1,764**	455
Total current tax	**1,764**	455
Deferred tax - current year	**(1,123)**	1,014
	641	1,469

The factors affecting the total tax charge are as follows:

	2021	2020
	£	£
Profit before taxation	**8,106**	**9,763**
Theoretical tax at UK Corporation Tax rate of 19% (2020: 19%)	**1,540**	**1,855**
Effects of:		
- Other expenditure which is not tax deductible	**171**	**100**
- Differences in tax rates	**(1,070)**	**(486)**
Actual total tax charge	**641**	**1,469**

12 Tangible fixed assets: Group and Company

	Computer Equipment	Total
	£	£
Cost		
At 1 January 2021	929,072	929,072
Additions	922	922
At 31 December 2021	929,994	929,994
Depreciation		
At 1 January 2021	861,700	861,700
Charge for year	31,081	31,081
At 31 December 2021	892,781	892,781
Net book value		
At 31 December 2021	**37,213**	**37,213**
At 31 December 2020	67,372	67,372

13 Investment in subsidiary companies

	2021	2020
	£	£
Investment in subsidiary companies	**5,003**	5,003

Klesch & Company Limited

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

13 Investment in subsidiary companies (continued)

The subsidiaries all of which are owned by the Company are:-

	Nature of Business	Class of Shares	Proportion Held	Country of Incorporation
Klesch Investment Management Company Limited	Dormant	Ord £1	100%	England and Wales
Klesch Administration Company Limited	Dormant	Ord £1	50%	England and Wales
Klesch European Reconstruction Limited	Dormant	Ord £1	100%	England and Wales
Klesch Trading Limited	Dormant	Ord £1	100%	England and Wales

14 Debtors: Group and Company

	2021	2020
Amounts falling due within one year:	**£**	£
Amounts owed by commonly controlled entities	**749,269**	256,508
Other debtors	**17,920**	36,027
Prepayments	**210,736**	216,936
Deferred tax asset (note 18)	**4,239**	3,116
	982,164	512,587

15 Creditors: amounts due within one year

	Group 2021	Group 2020	**Company 2021**	Company 2020
	£	£	**£**	£
Amounts owed to subsidiaries	**-**	-	**5,003**	5,003
Trade creditors	**89,526**	190,406	**89,526**	190,406
Trade creditors – related party	**-**	600,000	**-**	600,000
Corporation tax	**1,764**	455	**1,764**	455
Other tax and social security	**269,486**	82,210	**269,486**	82,210
Other creditors and accruals	**1,239,722**	43,316	**1,239,722**	43,316
Obligations under finance lease	**31,545**	30,030	**31,545**	30,030
	1,632,043	946,417	**1,637,046**	951,420

Klesch & Company Limited

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

16 Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Group and Company		
Obligations under finance lease	-	31,545
	-	31,545

17 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	1,831,173	1,609,046
	1,831,173	1,609,046

18 Deferred taxation

	2021	2020
	£	£
Deferred tax provided comprises:		
Accelerated capital allowances	4,239	3,116
The movement in the provision is as follows:	£	£
At start of year	3,116	4,131
Charge to the profit and loss account	1,123	(1,014)
At end of year	4,239	3,116

Deferred tax has been provided at 25% (2020: 19%) based on the tax rates that are expected to apply in the period when the asset is realised or liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

19 Called-up share capital and reserves

	2021	2020
	£	£
Authorised, allotted, called-up and fully paid:		
Ordinary shares of £1 each	**93,000**	93,000

For details of the movements in and components of equity, see the consolidated statement of changes in equity page 14.

20 Profit and loss account: Group and Company

	2021	2020
	£	£
At 1 January	**1,118,043**	1,109,749
Profit for the year	**7,465**	8,294
At 31 December	**1,125,508**	1,118,043

Profit and loss includes all current and prior periods retained profit and losses.

21 Reconciliation of movements in shareholders' funds: Group and Company

	2021	2020
	£	£
Opening equity shareholders' funds	**1,211,043**	1,202,749
Profit for the financial year	**7,465**	8,294
Closing equity shareholders' funds	**1,218,508**	1,211,043

22 Leasing commitments

The Company entered into an operating lease for its office premises, with the lease expected to terminate in 2023. Future minimum rentals payable under this non-cancellable operating lease at 31 December 2021 are as follows:

	2021	2020
	£	£
Commitments expiring:		
Within one year	**620,000**	620,000
Between two and five years	**64,548**	529,548
	684,548	1,149,548

Operating lease payments for its office premises recognised as an expense in the year £620,000 (2020: £620,000).

The Company entered into an operating sub-lease for a part of its office premises, with the lease expected to terminate in 2023. Future minimum rentals receivable under this non-cancellable operating lease at 31 December 2021 are as follows:

	2021	2020
	£	£
Commitments expiring:		
Within one year	**260,500**	260,500
Between two and five years	**19,270**	279,770
	279,770	540,270

23 Financial risk management

The Company has exposure to a number of financial risks, primarily being foreign exchange currency risk, credit risk and liquidity risk.

The exposure to these risks is closely monitored by the directors and management of the Company and appropriate mitigating action taken, as and when required.

23.1 Foreign exchange currency risk

The Company is exposed to currency risk on foreign currency due to some revenue and operating expenses transactions being in currencies other than Sterling (£).

The majority of the Company's transactions are denominated in Sterling (£). The Company does not consider itself to be exposed to any currency risks due to the above situation.

23.2 Credit Risk

Credit risk refers to the risk exposure that a potential financial loss to the Company may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets, which might be lost.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers.

All the receivables of the Company are from counterparties with the same beneficial owner.

23.3 Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an on-going basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.

The Company's approach to managing liquidity is to ensure that it will always have sufficient cash and cash equivalents available to meet anticipated and unanticipated funding needs. Financial obligations are met through operating cash flows.

24 Related party transactions

During the year the Company charged fees of £5,045,000 (2020: £3,780,000) to commonly controlled entities for management services provided.

The amounts owed by commonly controlled entities, owned by A G E Klesch at the year-end, were £749,269 (2020: £256,507).

The amounts owed to commonly controlled entities, owned by A G E Klesch at the year-end, were £nil (2020: £600,000).

25 Ultimate parent undertaking

In the Board of Directors' opinion, the Company's ultimate controlling party is Mr A G E Klesch.

Klesch & Company Limited

Appendix 1

Pillar 3 risk disclosure

The Company is regulated by the Financial Conduct Authority (formerly the Financial Services Authority).

The European Capital Requirements Directive introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II rules. The Directive was introduced into the UK by the Financial Services Authority ("FSA"). The new framework consisted of three 'pillars'.

- Pillar 1
  This specifies the minimum capital requirements.

- Pillar 2
  This supervisory review process requires an assessment to be made of whether additional capital should be held against risks not covered by Pillar 1.

- Pillar 3
  This introduces public disclosure of qualitative and quantitative information and is designed to promote market discipline by providing market participants with key information on a firm's risk exposures and risk management processes.

The Company is subject to minimum capital requirements based on the fact that it is a full scope BIPRU €730,000 investment firm. The Company is not subject to consolidated reporting with other entities.

The directors and senior managers of the Company determine the business strategy and risk appetite together with the design and implementation of a risk management framework. The Company has a Risk Committee, which considers the identification and management of appropriate documented procedures with the aim of operating a defined and transparent risk management framework. Additionally, as new risks arise, these are dealt with appropriately at the time.

Risk appetite is the degree of risk that senior management are willing to accept without applying further resources and capital to mitigate the risk. Risks are assessed in terms of the probability of the risk occurring after having taken into account any risk mitigation together with the impact. Reasonable steps are taken by the Company to reduce the probability of any risk crystallizing. Furthermore, additional capital resources will be maintained for risks, which the Company does not wish to bear.

The Company is small with a simple operational infrastructure. The Company recognises that due to the nature and ownership of its clients, it has some concentration and liquidity risk, but this is mitigated by efficient credit control. Small operational and competition risk is also noted.

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The Company follows the standardised approach for the assessment of both market risk and credit risk, using a simplified approach to calculate risk weights for credit risk exposures. It also calculates the total operational risk requirement at Pillar 1 using the operational risk basic indicator approach.

As mentioned above, the Company is a full scope licence €730,000 firm and as such, its minimum capital requirement is the greater of:

- The base capital resources requirement of €730,000.
- The variable capital resources requirement, which is the sum of market, credit & operational risk requirements.

The approach of the business to assessing the adequacy of its internal capital to support current and future activities is contained in the Internal Capital Adequacy Assessment Process. The base capital resources requirement of €730,000 is deemed by the Company to be sufficient capital to meet its current needs. All known risks, including operational risks, have been assessed and appropriate stress tests and scenario analyses have been undertaken to help determine any additional capital required under Pillar 2. No additional capital is currently required for Pillar 2.

The main features of the Company's capital resources for regulatory purposes are as follows:

Capital item	£
Tier 1 capital less innovative tier 1 capital	1,218,508
Total of tier 2, innovative tier 1 and tier 3 capital	-
Total capital resources, net of deductions	1,218,508

Since the capital resources requirement of the Company is its base capital resources and not the total of the credit, market and operational risk requirements, disclosures relating to credit, operational, concentration and market risk are considered immaterial in assessing the risk exposures assessment processes of the business.

The Company does not have a trading book, the Company does not undertake securitisation, and does not hold any equities in its non-trading book, other than those considered immaterial or confidential.