

Envisage Recruitment Limited

Directors' Report and Financial Statements

Year Ended

31 December 2019

Company Number 04986931

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Envisage Recruitment Limited

Company Information

Directors	B W Campbell T M Strafford
Company secretary	N P Howard
Registered number	04986931
Registered office	12 Herald Way Coventry Warwickshire CV3 2NY
Independent auditors	BDO LLP Statutory Auditor Two Snowhill Birmingham B4 65A

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Envisage Recruitment Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year, after taxation, amounted to £205,000 (2018 - profit £70,000).

The net assets of the business at the year end were £633,000 (2018 - £838,000).

Dividends of £nil were paid in the period (2018 - £1,000,000).

Directors

The directors who served during the year were:

B W Campbell
T M Strafford (appointed 24 October 2019)
A K Cattrell (resigned 13 November 2019)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Envisage Recruitment Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Going concern

These financial statements have been prepared on the basis that the company will continue trading as a going concern.

The company is reliant upon financial support of its immediate parent undertaking and its wider group. The group's ultimate parent, Envisage Investments Limited, has confirmed it is willing and able to continue to provide the group with sufficient financial support and working capital to fund losses and enable the company to meet its on-going liabilities as they fall due.

After making enquiries and preparing integrated profit and loss and cash flow forecasts for one year from the date the financial statements are signed, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Company and its wider group have adequate resources to continue in existence for the foreseeable future. However, there are certain uncertainties, as described in more detail below.

The Board of Directors has undertaken a recent thorough review of the group's and individual company budgets and forecasts and has produced detailed and realistic cash flow projections. Various scenarios have been run on the potential impact of COVID 19, including the modelling of worst case scenarios. The group has existing cash resources at the 24 July 2020 of £84k and an unused bank overdraft facility of £0.221m. This level of cash is considered enough to meet the worst case stress test scenario, whereby trading cash flows only include revenues of work carried out that are currently still in operation. No new revenue or income has been assumed for any new projects won and the forecasts take account of a number of cost saving initiatives, to deal with the impact of COVID 19, in the year.

These cash flow projections, when considered in conjunction with the group's existing cash balances and facilities, demonstrate that the company and its wider group has sufficient working capital for the foreseeable future. There are uncertainties around the timing of the receipt of R&D of £1.27m, but with continued support from the shareholders and waiver of loan repayments until the group has sufficient funds to repay these loans, and with the bank facility of £250k which is due for renewal post December 2020, Management are comfortable that there are sufficient cash flows available to support the business for the foreseeable future.

In the current business climate, Management acknowledge the COVID 19 pandemic and have implemented logistical and organisational changes to underpin the company and wider Group's resilience to COVID 19, with the key focus being protecting all personnel, minimising the impact on critical work streams and ensuring business continuity. COVID 19 may impact the company and wider Group in varying ways leading to potential impairments of assets held which could have a direct bearing on the company and wider Group's ability to generate sufficient cash flows for working capital purposes. It may also impact the ability of the Group to raise the shareholder cash injection as referred to above. Management are closely monitoring commercial and technical aspects of the company and wider Group's operations to mitigate the impact from the COVID 19 pandemic. The inability to gauge the length of such disruption further adds to this uncertainty. For these reasons the generation of sufficient operating cash flows remain a risk. Management believes the company and wider Group will generate sufficient working capital and cash flows to continue in operational existence and will have the ongoing support of its shareholders, if required, for the foreseeable future.

In light of the forecast prepared, the directors remain of the view that the forecast is achievable (despite external factors such as COVID 19) and that the headroom within the forecast should be sufficient to enable the company and its wider group to operate and meet its liabilities as they fall due for payment throughout the year, and the financial statements have accordingly been prepared on a going concern basis.

However, the uncertainties around the timing of the receipt of monies along with the potential impact on the Company and the wider Group of COVID 19 represent material uncertainties which may cast significant doubt on the ability of the company to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the company and wider company is not able to achieve its forecasts or is unable to continue as a going concern.

Envisage Recruitment Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Post balance sheet events

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

At the time of writing, we are waiting to see how great an impact the COVID 19 crisis will have on the current year's trading. Our thoughts and sympathies go out to all that have been affected by the virus, either directly or indirectly.

Due to the rapid development of COVID 19, the degree of uncertainty involved and the unprecedented nature of the challenges posed by the coronavirus situation, the Directors are of the opinion that it is too soon to quantify what financial impact that the COVID 19 pandemic will be, but are monitoring the situation closely and believe it will overall have a negative impact on trading results as outlined below:

Envisage Recruitment is expected to see a temporary contraction of the market, with customers expected to place recruitment on hold. However, it is expected that this will be a temporary contraction with the market beginning to phase back to previous levels across the end of 2020 and across 2021.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on

11/09/20

and signed on its behalf.



T M Stafford
Director

Envisage Recruitment Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

The directors are 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 '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 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Envisage Recruitment Limited

Independent Auditor's Report to the Members of Envisage Recruitment Limited

Opinion

We have audited the financial statements of Envisage Recruitment Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Balance sheet and the Statement of changes in equity, 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 Company's affairs as at 31 December 2019 and of its 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.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the Company and its wider group are dependent on raising additional financing from a number of sources, such as the timing of the Research and Development tax credit receipt and a shareholder cash injection to enable it to carry out its planned business objectives and enable it to continue as a going concern. As stated in note 2.3, these conditions, along with the other matters referred to in note 2.3, indicate that a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report and 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.

Envisage Recruitment Limited

Independent Auditor's Report to the Members of Envisage Recruitment Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Envisage Recruitment Limited

Independent Auditor's Report to the Members of Envisage Recruitment Limited (continued)

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.



Paul Fenner (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

11 September 2020

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

Envisage Recruitment Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover		22,280	29,367
Cost of sales		(21,149)	(27,511)
Gross profit		1,131	1,856
Administrative expenses		(1,611)	(2,612)
Other operating income		363	997
Operating (loss)/profit		(117)	241
Interest receivable and similar income		-	38
Interest payable and expenses		(88)	(152)
(Loss)/profit before tax		(205)	127
Tax on (loss)/profit		-	(57)
(Loss)/profit for the financial year		(205)	70

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 11 to 21 form part of these financial statements.

Envisage Recruitment Limited

Registered number:04986931

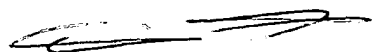
Balance Sheet As at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	5		894		1,023
Tangible assets	6		28		77
			<u>922</u>		<u>1,100</u>
Current assets					
Debtors: amounts falling due within one year	7	3,254		2,713	
Cash at bank and in hand		-		656	
		<u>3,254</u>		<u>3,369</u>	
Creditors: amounts falling due within one year	8	(3,543)		(3,631)	
Net current liabilities			<u>(289)</u>		<u>(262)</u>
Total assets less current liabilities			<u>633</u>		<u>838</u>
Net assets			<u>633</u>		<u>838</u>
Capital and reserves					
Called up share capital	10		51		51
Share premium account	11		19		19
Profit and loss account	11		563		768
			<u>633</u>		<u>838</u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

11/9/20



T M Stafford
Director

Envisage Recruitment Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019	51	19	768	838
Comprehensive income for the year				
Loss for the year	-	-	(205)	(205)
Total comprehensive income for the year	-	-	(205)	(205)
Transactions with owners				
Equity dividends paid	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2019	51	19	563	633

Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	51	19	1,698	1,768
Comprehensive income for the year				
Profit for the year	-	-	70	70
Total comprehensive income for the year	-	-	70	70
Transactions with owners				
Equity dividends paid	-	-	(1,000)	(1,000)
Total transactions with owners	-	-	(1,000)	(1,000)
At 31 December 2018	51	19	768	838

The notes on pages 11 to 21 form part of these financial statements.

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Envisage Recruitment Limited is a private limited liability company incorporated in England & Wales and domiciled in England. The registered office is 12 Herald Way, Binley Industrial Estate, Coventry, Warwickshire, CV3 2NY and the registered number is 04986931.

The principal activity of the company continued to be that of the provision of skilled resource, most notably Engineers, to the major automotive OEM's, and other business sectors. In addition, the business places skilled resource in permanent positions.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 (see note 3).

The functional and presentation currency for the company during the year was Sterling and the accounts are rounded to the nearest thousand.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Envisage Group Limited as at 31 December 2019 and these financial statements may be obtained from 12 Herald Way, Binley Industrial Estate, Coventry, Warwickshire, CV3 2NY.

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

These financial statements have been prepared on the basis that the company will continue trading as a going concern.

The company is reliant upon financial support of its immediate parent undertaking and its wider group. The group's ultimate parent, Envisage Investments Limited, has confirmed it is willing and able to continue to provide the group with sufficient financial support and working capital to fund losses and enable the company to meet its on-going liabilities as they fall due.

After making enquiries and preparing integrated profit and loss and cash flow forecasts for one year from the date the financial statements are signed, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Company and its wider group have adequate resources to continue in existence for the foreseeable future. However, there are certain uncertainties, as described in more detail below.

The Board of Directors has undertaken a recent thorough review of the group's and individual company budgets and forecasts and has produced detailed and realistic cash flow projections. Various scenarios have been run on the potential impact of COVID 19, including the modelling of worst case scenarios. The group has existing cash resources at the 24 July 2020 of £84k and an unused bank overdraft facility of £0.221m. This level of cash is considered enough to meet the worst case stress test scenario, whereby trading cash flows only include revenues of work carried out that are currently still in operation. No new revenue or income has been assumed for any new projects won and the forecasts take account of a number of cost saving initiatives, to deal with the impact of COVID 19, in the year.

These cash flow projections, when considered in conjunction with the group's existing cash balances and facilities, demonstrate that the company and its wider group has sufficient working capital for the foreseeable future. There are uncertainties around the timing of the receipt of R&D of £1.27m, but with continued support from the shareholders and waiver of loan repayments until the group has sufficient funds to repay these loans, and with the bank facility of £250k which is due for renewal post December 2020, Management are comfortable that there are sufficient cash flows available to support the business for the foreseeable future.

In the current business climate, Management acknowledge the COVID 19 pandemic and have implemented logistical and organisational changes to underpin the company and wider Group's resilience to COVID 19, with the key focus being protecting all personnel, minimising the impact on critical work streams and ensuring business continuity. COVID 19 may impact the company and wider Group in varying ways leading to potential impairments of assets held which could have a direct bearing on the company and wider Group's ability to generate sufficient cash flows for working capital purposes. It may also impact the ability of the Group to raise the shareholder cash injection as referred to above. Management are closely monitoring commercial and technical aspects of the company and wider Group's operations to mitigate the impact from the COVID 19 pandemic. The inability to gauge the length of such disruption further adds to this uncertainty. For these reasons the generation of sufficient operating cash flows remain a risk. Management believes the company and wider Group will generate sufficient working capital and cash flows to continue in operational existence and will have the ongoing support of its shareholders, if required, for the foreseeable future.

In light of the forecast prepared, the directors remain of the view that the forecast is achievable (despite external factors such as COVID 19) and that the headroom within the forecast should be sufficient to enable the company and its wider group to operate and meet its liabilities as they fall due for payment throughout the year, and the financial statements have accordingly been prepared on a going concern basis.

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern (continued)

However, the uncertainties around the timing of the receipt of monies along with the potential impact on the Company and the wider Group of COVID 19 represent material uncertainties which may cast significant doubt on the ability of the company to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the company and wider company is not able to achieve its forecasts or is unable to continue as a going concern.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the economic life of that asset as follows:

The estimated useful lives range as follows:

Goodwill	-	10 years straight line
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Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Computer software is capitalised within tangible fixed assets as the software is deemed to provide the functionality that a number of tangible fixed assets require in order to operate in the manner intended.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant and machinery	- 3 to 10 years
Fixtures, fittings and equipment	- 4 years

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 comparing the proceeds with the carrying amount and are recognised within administration expenses within the Statement of Comprehensive Income.

2.7 Operating leases: Lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.8 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.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract.

2.11 Creditors

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

2.12 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.14 Leased assets: Lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.15 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account 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.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax is recognised in respect of all material timing differences that originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax is measured on an undiscounted basis at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

The nature of this business is that whilst estimates and judgements are required in certain areas e.g. prepayments and accruals, none are considered to be critical or key estimates.

4. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Administrative	17	23
Management	1	3
	<u>18</u>	<u>26</u>

5. Intangible assets

	Goodwill £000
Cost	
At 1 January 2019	1,292
At 31 December 2019	<u>1,292</u>
Amortisation	
At 1 January 2019	269
Charge for the year	129
At 31 December 2019	<u>398</u>
Net book value	
At 31 December 2019	<u>894</u>
At 31 December 2018	<u>1,023</u>

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

6. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2019	111	286	397
Additions	-	6	6
At 31 December 2019	<u>111</u>	<u>292</u>	<u>403</u>
Depreciation			
At 1 January 2019	105	215	320
Charge for the year	6	49	55
At 31 December 2019	<u>111</u>	<u>264</u>	<u>375</u>
Net book value			
At 31 December 2019	<u>-</u>	<u>28</u>	<u>28</u>
At 31 December 2018	<u>6</u>	<u>71</u>	<u>77</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £000	2018 £000
Furniture, fittings and equipment	<u>10</u>	<u>53</u>

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Debtors

	2019 £000	2018 £000
Trade debtors	1,061	1,454
Amounts owed by group undertakings	1,794	847
Prepayments	56	42
Accrued income	343	370
	<u>3,254</u>	<u>2,713</u>

8. Creditors: falling due within one year

	2019 £000	2018 £000
Bank overdrafts	468	-
Invoice discounting	631	1,020
Trade creditors	1,846	2,150
Amounts owed to group undertakings	432	216
Other taxation and social security	56	167
Obligations under finance lease and hire purchase contracts	3	10
Accruals and deferred income	107	68
	<u>3,543</u>	<u>3,631</u>

The amounts included in invoice discounting are secured by a debenture covering a range of the entity's assets, securing all monies due or to become due from the company to Bibby Financial Services Limited.

Finance leases and similar agreements are secured against the assets to which they relate.

9. Deferred taxation

No provision has been made in the financial statements for a deferred asset of £31,000 (2018 - £19,000) which arises as a result of excess depreciation over taxation allowances.

10. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
51,000 Ordinary shares of £1.00 each	<u>51</u>	<u>51</u>

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

11. Reserves

Share premium account

This reserve records the amount received in respect of share capital in excess of the nominal value of the shares.

Profit and loss account

Includes all current and prior period retained profits and losses.

12. Contingent liabilities

An unlimited multilateral guarantee has been given by the company in favour of group undertakings Envisage Classic & Bespoke Limited, Envisage Technologies Limited and Envisage Group Limited.

13. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £14,000 (2018 - £16,000).

Contributions totalling £Nil (2018 - £Nil) were payable to the fund at the Balance Sheet date.

14. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	97	47
Later than 1 year and not later than 5 years	96	-
	<u>193</u>	<u>47</u>

15. Related party transactions

In accordance with FRS 102 section 33.1A the company has taken advantage of the exemption available not to disclose details of transactions entered into between wholly owned subsidiaries of Envisage Group Limited.

Envisage Recruitment Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

16. Post balance sheet events

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

At the time of writing, we are waiting to see how great an impact the COVID 19 crisis will have on the current year's trading. Our thoughts and sympathies go out to all that have been affected by the virus, either directly or indirectly.

Due to the rapid development of COVID 19, the degree of uncertainty involved and the unprecedented nature of the challenges posed by the coronavirus situation, the Directors are of the opinion that it is too soon to quantify what financial impact that the COVID 19 pandemic will be, but are monitoring the situation closely and believe it will overall have a negative impact on trading results as outlined below:

Envisage Recruitment is expected to see a temporary contraction of the market, with customers expected to place recruitment on hold. However, it is expected that this will be a temporary contraction with the market beginning to phase back to previous levels across the end of 2020 and across 2021.

17. Controlling party

The company's parent company is Envisage Group Limited, a company registered in England & Wales and the ultimate parent is Envisage Investments Limited, a company registered in Guernsey.

Envisage Group Limited prepares consolidated financial statements. These financial statements can be obtained from Envisage Group Limited's registered office at 12 Herald Way, Binley Industrial Estate, Coventry, United Kingdom, CV3 2NY.

The company is under the ultimate control of Mrs R Hudson by virtue of her majority shareholding in the parent company, Envisage Investments Limited.