

Cornbrook Group Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 05004531



Cornbrook Group Limited

Company Information

Directors	C J Hoyle M Knaur C J Hilton
Registered number	05004531
Registered office	International Development Centre Valley Drive Ilkley West Yorkshire LS29 8PB
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

Cornbrook Group Limited

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Cornbrook Group Limited

Group Strategic Report For the Year Ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019. The comparative figures cover the 14 month period ended 31 December 2018.

Principal activity

The principal activity of the group is as a business partner of Hewlett Packard Enterprise specialising in the sale of their support services.

Fair review of the business

Support Warehouse Limited is the main trading entity within this group.

Financially, Support Warehouse Limited has performed in line with expectations during FY19.

Business Review and future developments:

As organisations flex and change the way they consume IT, there has been an ongoing trend to consolidate hardware infrastructure onto more complex and powerful systems. In addition to this, disruptive technology such as virtualisation, cloud computing and drive to hybrid infrastructure has led to a reduction in the number of package services sold by Support Warehouse Limited. In response to this dynamic, Support Warehouse Limited continues to drive its customer base to transition to services contracts which are able to service these increasingly complex environments.

HPE provide service contracts directly to defined customers in a number of markets where Support Warehouse already provide a Post Warranty Rescue Activity. To support structural changes within HPE, the group has been approached to renew the lower value section of this business, defined as small to medium business (SMB). Activity under this programme is governed by a service contract specialist (SCS) agreement, which enables the group to quote, manage and purchase contract services directly with HPE in the local market. SCS-R agreements have been signed for US, Canada, UK, Ireland and Sweden. The group is investing in robust sales and back office systems and process improvement to support the plans for further growth whilst maintaining the same level of service both the customers and HPE expect.

The directors are pleased with the financial performance of the business during FY'19 and the group is exceptionally placed to maintain the same level of activity whilst it invests in systems and process improvements. In addition there has been an investing at a group level in business development to explore new geographical markets.

Going concern

Since the year end the COVID-19 pandemic has occurred.

The management teams acted swiftly and decisively in reaction to the COVID-19 crisis by enabling staff to work from home which has resulted in an uninterrupted service to our customer base and reverted to a proforma invoicing model to minimise bad debt risk.

While we expect we will suffer adverse effects the more severe the outbreak is and the longer it lasts there are no significant concerns over trade and cashflow.

There have been no other significant events affecting the group or company since the year end.

Further detail is included in note 2.4 to the financial statements.

Cornbrook Group Limited

Group Strategic Report (continued) For the Year Ended 31 December 2019

Key financial performance indicators

	Year ended 31 December 2019 £	2018 £	Change £	Change %
Turnover	5,164,099	5,954,218	(790,119)	13.27%
Operating profit	2,366,782	2,852,119	(485,337)	14%
Operating profit as % of turnover	45.83%	47.90%		

Principal risk and uncertainties

The directors consider that the following are the principal risk factors that could materially and adversely affect the group's future operating profits and financial position. The group has controls embedded within its systems and processes to limit each of these potential exposures and regularly review, assess and revise these in order to limit the associated risks.

- Termination of the group's global master supplier agreement may have a short term adverse impact on turnover and would affect the revenue mix moving forward.
- Given the increasing proportion of turnover generated in international currencies there is a constant risk that the adverse currency movements could impact turnover and operating profits when converted into the group's reporting currency (GBP). This risk is mitigated through the adoption of forward contracts in Euros, US \$ and Canadian \$ where applicable.
- Competition among global IT resellers or within the channel generally may lead to reduced sales growth, extended payment terms with customers, increased financing costs or bad debt risk.

This report was approved by the board on 22 January 2021 and signed on its behalf.



C J Hoyle
Director

Cornbrook Group Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019. The comparative figures cover the 14 month period ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £1,910,512 (period ended 31 December 2018 - £2,221,947).

Details of dividends paid in the year are disclosed in note 10.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on page 1 and 2 of these financial statements.

Events after the reporting period

Since the year end the COVID-19 pandemic has occurred. Further information is disclosed in the strategic report and the effects on going concern can be found in note 2.4.

There have been no other significant events affecting the group or company since the year end.

Directors

The directors who served during the year were:

C J Hoyle
M Knaur
C J Hilton (appointed 1 January 2021)

Financial instruments

Objectives and policies

The group's objectives are to manage its capital and to ensure it has sufficient liquidity to enable it to pay its debts as they fall due.

Credit risk and foreign exchange risk

The group is exposed to credit risk, primarily in relation to the risk of non-payment by customers. This is mitigated by the application of commensurate customer acceptance and credit control procedures.

The group is exposed to variable cash flows in relation to revenues generated in overseas currencies. This is mitigated by sales and purchases being made in the same foreign currency.

Disclosure of information to auditor

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 and the group's auditor is 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 and the group's auditor is aware of that information.


Cornbrook Group Limited

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

Auditor

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

This report was approved by the board on 22 January 2021 and signed on its behalf.



C J Hoyle
Director

Cornbrook Group Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

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

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

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

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

Cornbrook Group Limited

Independent Auditor's Report to the Members of Cornbrook Group Limited

Opinion

We have audited the financial statements of Cornbrook Group Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated statement of cash flows 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 2019 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.

Conclusions relating to going concern

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

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

Cornbrook Group Limited

Independent Auditor's Report to the Members of Cornbrook Group Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 and directors' report.

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

- adequate accounting records have not been kept 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.

Cornbrook Group Limited

Independent Auditor's Report to the Members of Cornbrook Group Limited (continued)

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 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.

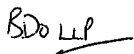
Auditor's responsibilities for the audit of the financial statements

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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom

22 January 2021

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

Cornbrook Group Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
Turnover	4	5,164,099	5,954,218
Cost of sales		(1,808,375)	(2,162,076)
Gross profit		3,355,724	3,792,142
Administrative expenses		(988,942)	(1,033,715)
Operating profit	5	2,366,782	2,758,427
Interest payable and similar charges	8	(30)	(3,864)
Profit before taxation		2,366,752	2,754,563
Tax on profit	9	(456,240)	(532,616)
Profit for the financial year/period		1,910,512	2,221,947
Other comprehensive income		-	-
Total comprehensive income for the year/period		1,910,512	2,221,947

The notes on pages 16 to 36 form part of these financial statements.

Cornbrook Group Limited

Registered number: 05004531

Consolidated Balance Sheet As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		7,201		28,789
Tangible assets	12		93,794		58,678
			<u>100,995</u>		<u>87,467</u>
Current assets					
Debtors: amounts falling due within one year	14	6,382,171		7,486,362	
Cash at bank and in hand	15	1,849,711		1,693,513	
		<u>8,231,882</u>		<u>9,179,875</u>	
Creditors: amounts falling due within one year	16	(6,018,894)		(6,785,399)	
Net current assets			<u>2,212,988</u>		<u>2,394,476</u>
Net assets			<u><u>2,313,983</u></u>		<u><u>2,481,943</u></u>
Capital and reserves					
Called up share capital	19		5,162		5,162
Share premium account	20		13,374		13,374
Capital redemption reserve	20		1,549		1,549
Profit and loss account	20		2,293,898		2,461,858
Total equity			<u><u>2,313,983</u></u>		<u><u>2,481,943</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 January 2021



C J Hoyle
Director

The notes on pages 16 to 36 form part of these financial statements.

Cornbrook Group Limited

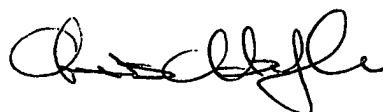
Registered number: 05004531

Company Balance Sheet As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investments	13		1,402,000		1,402,000
Current assets					
Debtors: amounts falling due within one year	14	341		416	
Cash at bank and in hand	15	-		733	
		<u>341</u>		<u>1,149</u>	
Creditors: amounts falling due within one year	16	(521,536)		(519,814)	
Net current liabilities			<u>(521,195)</u>		<u>(518,665)</u>
Net assets			<u>880,805</u>		<u>883,335</u>
Capital and reserves					
Called up share capital	19		5,162		5,162
Share premium account	20		13,374		13,374
Capital redemption reserve	20		1,549		1,549
Merger reserve	20		756,696		756,696
Profit and loss account	20		104,024		106,554
Total equity			<u>880,805</u>		<u>883,335</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of income and retained earnings in these financial statements. The profit after tax of the parent company for the year was £2,075,942 (period ended 31 December 2018 - £1,073,914).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 January 2021



C J Hoyle
Director

The notes on pages 16 to 36 form part of these financial statements.

Cornbrook Group Limited

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

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	5,162	13,374	1,549	2,461,858	2,481,943
Comprehensive income for the year					
Profit for the year	-	-	-	1,910,512	1,910,512
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,910,512	1,910,512
Dividends: Equity capital	-	-	-	(2,078,472)	(2,078,472)
Total transactions with owners	-	-	-	(2,078,472)	(2,078,472)
At 31 December 2019	5,162	13,374	1,549	2,293,898	2,313,983

Consolidated Statement of Changes in Equity For the Period Ended 31 December 2018

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 November 2017	5,162	13,374	1,549	1,745,875	1,765,960
Comprehensive income for the period					
Profit for the period	-	-	-	2,221,947	2,221,947
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,221,947	2,221,947
Dividends: Equity capital	-	-	-	(1,505,964)	(1,505,964)
Total transactions with owners	-	-	-	(1,505,964)	(1,505,964)
At 31 December 2018	5,162	13,374	1,549	2,461,858	2,481,943

The notes on pages 16 to 36 form part of these financial statements.

Cornbrook Group Limited

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

	Called up share capital	Share premium account	Capital redemption reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2019	5,162	13,374	1,549	756,696	106,554	883,335
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,075,942	2,075,942
Total comprehensive income for the year	-	-	-	-	2,075,942	2,075,942
Contributions by and distributions to owners						
Dividends: Equity capital	-	-	-	-	(2,078,472)	(2,078,472)
Total transactions with owners	-	-	-	-	(2,078,472)	(2,078,472)
At 31 December 2019	5,162	13,374	1,549	756,696	104,024	880,805

The notes on pages 16 to 36 form part of these financial statements.

Cornbrook Group Limited

Company Statement of Changes in Equity For the Period Ended 31 December 2018

	Called up share capital	Share premium account	Capital redemption reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 November 2017	5,162	13,374	1,549	756,696	538,604	1,315,385
Comprehensive income for the period						
Profit for the period	-	-	-	-	1,073,914	1,073,914
Total comprehensive income for the period	-	-	-	-	1,073,914	1,073,914
Contributions by and distributions to owners						
Dividends: Equity capital	-	-	-	-	(1,505,964)	(1,505,964)
Total transactions with owners	-	-	-	-	(1,505,964)	(1,505,964)
At 31 December 2018	5,162	13,374	1,549	756,696	106,554	883,335

The notes on pages 16 to 36 form part of these financial statements.

Cornbrook Group Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,910,512	2,221,947
Adjustments for:		
Amortisation of intangible assets	21,588	25,186
Depreciation of tangible assets	32,578	129,696
Loss on disposal of tangible assets	-	(1,700)
Interest paid	30	3,864
Taxation charge	456,240	532,616
Decrease/(increase) in debtors	1,143,413	(5,526,681)
Decrease in amounts owed by groups	13,278	267,111
(Decrease)/increase in creditors	(738,888)	4,949,261
Corporation tax (paid)	(536,357)	(394,193)
Net cash generated from operating activities	2,302,394	2,207,107
Cash flows from investing activities		
Purchase of tangible fixed assets	(67,694)	(33,270)
Sale of tangible fixed assets	-	15,000
Net cash from investing activities	(67,694)	(18,270)
Cash flows from financing activities		
Dividends paid	(2,078,472)	(1,505,964)
Interest paid	(30)	(3,864)
Net cash used in financing activities	(2,078,502)	(1,509,828)
Net increase in cash and cash equivalents	156,198	679,009
Cash and cash equivalents at beginning of year/period	1,693,513	1,014,504
Cash and cash equivalents at the end of year/period	1,849,711	1,693,513
Cash and cash equivalents at the end of year/period comprise:		
Cash at bank and in hand	1,849,711	1,693,513
	1,849,711	1,693,513

Cornbrook Group Limited

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

1. General information

Cornbrook Group Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

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 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 group management to exercise judgement in applying the group's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement or net debt reconciliation has been presented for the parent company;
- Disclosures in respect of the parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- Disclosures in respect of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

2.3 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Cornbrook Group Limited

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

2. Accounting policies (continued)

2.4 Going concern

We have made an assessment of the group and company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

This involved the preparation of cashflow forecasts taking into consideration the most likely impact of COVID-19 on trading and finance including reasonably likely stress tests.

As a result of our assessment we consider that the group and company are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the group or company's ability to continue as a going concern.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue 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 revenue is recognised:

Rendering of services

Revenue 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 revenue can be measured reliably;
- it is probable that the group 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.

2.6 Foreign currency translation

The group's functional currency is pounds sterling, being the currency of the primary economic environment in which the group operates, and also the presentation currency for these financial statements.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the average rate ruling over the reporting period.

Exchange gains and losses are recognised in profit or loss in the period in which they arise.

2.7 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.

Cornbrook Group Limited

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

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Motor vehicles	- 20.00% straight line
Furniture, fittings and equipment	- 33.00% straight line
Computer equipment	- 20.00% straight line
Other fixed assets	-

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 in profit or loss.

2.8 Intangible assets

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 the group's share 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 consolidated statement of comprehensive income over its useful economic life of 10 years.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 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.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.11 Debtors

Trade debtors are amounts due from customers for the sale of support services in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Cornbrook Group Limited

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

2. Accounting policies (continued)

2.12 Financial instruments

The group only enters into basic financial instrument 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, loans to related parties and investments in ordinary shares.

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. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 consolidated 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 determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 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.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Cornbrook Group Limited

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

2. Accounting policies (continued)

2.15 Operating leases: the group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.16 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 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.

2.18 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss 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 group in independently administered funds.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Cornbrook Group Limited

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

2. Accounting policies (continued)

2.19 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Provision for service contract cancellation is made at 1% of the average gross margin provision of all services sold with a cancellation right. This is based on the historic rates observed for similar service contracts. The percentage is reviewed annually for observable changes. Exceptional cases are assessed individually and appropriate provision made.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 12)

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

Cornbrook Group Limited

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

4. Turnover

The group's revenue for the year from continuing operations was all attributable to its principal activity.

Analysis of turnover by country of destination:

	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
United Kingdom	996,405	1,312,663
Rest of Europe	751,215	890,347
Rest of the world	3,416,479	3,751,208
	<u>5,164,099</u>	<u>5,954,218</u>
	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
Total transaction value	28,076,324	31,887,758
Direct costs	(22,912,225)	(25,933,540)
Net revenue	<u>5,164,099</u>	<u>5,954,218</u>

Total transaction value, gross revenues, represent amounts actually invoiced to customers, with the net revenue being the actual revenue recorded while acting as agent in transactions.

Cornbrook Group Limited

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

5. Operating profit

The operating profit is stated after charging/(crediting):

	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
Depreciation expense	32,678	129,996
Amortisation expense	21,588	25,186
Exchange differences	19,978	(146,526)
Profit on disposal of property, plant and equipment	-	(1,700)
Operating lease expense	137,301	95,108
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	21,250	21,250
Fees payable to the group's auditors and its associates in respect of:		
- taxation compliance services	6,500	6,500
- other services	3,500	3,500
	<u>3,500</u>	<u>3,500</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	1,797,439	2,164,948	-	-
Social security costs	186,359	188,797	-	-
Cost of defined contribution scheme	44,168	51,118	-	-
	<u>2,027,966</u>	<u>2,404,863</u>	<u>-</u>	<u>-</u>

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

	Group Year ended 31 December 2019 No.	Group 14 month period ended 31 December 2018 No.	Company Year ended 31 December 2019 No.	Company 14 month period ended 31 December 2018 No.
Sales	36	34	-	-
Administrative	16	25	-	-
	<u>52</u>	<u>59</u>	<u>-</u>	<u>-</u>

Cornbrook Group Limited

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

7. Directors' remuneration

	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
Directors' emoluments	191,851	106,653
Company contributions to defined contribution pension schemes	4,621	4,330
	<u>196,472</u>	<u>110,983</u>

During the year retirement benefits were accruing to 2 directors (period ended 31 December 2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £102,512 (period ended 31 December 2018 - £106,653).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,983 (period ended 31 December 2018 - £4,330).

8. Interest payable and similar charges

	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
Bank interest payable	<u>30</u>	<u>3,864</u>

Cornbrook Group Limited

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

9. Taxation

	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
Corporation tax		
Current tax on profits for the year	457,739	548,851
Adjustments in respect of previous periods	-	49
Total current tax	457,739	548,900
Deferred tax		
Origination and reversal of timing differences	(1,041)	(14,860)
Adjustment in respect of prior periods	(458)	(1,424)
Total deferred tax	(1,499)	(16,284)
Taxation on profit on ordinary activities	456,240	532,616

Cornbrook Group Limited

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

9. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Year ended 31 December 2019 £	14 month period ended 31 December 2018 £
Profit on ordinary activities before tax	2,366,752	2,754,563
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	449,683	523,367
Effects of:		
Fixed asset differences	1,826	1,113
Expenses not deductible for tax purposes	950	1,901
Non-tax deductible amortisation of goodwill and impairment	4,102	4,785
Increase or decrease from adjustment for prior periods	-	49
Adjust closing deferred tax to average rate	1,074	899
Adjust opening deferred tax to average rate	(953)	899
Adjustments to tax charge in respect of previous periods - deferred tax	(458)	(1,593)
Other timing differences	16	1,196
Total tax charge for the year/period	456,240	532,616

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the group's future tax charge accordingly. The deferred tax asset at 31 December 2019 has been calculated based on the rates substantively enacted at the date of the balance sheet.

The budget resolution to retain the 19% corporation tax rate from 1 April 2020 was passed on 17 March 2020.

10. Dividends

	2019 £	2018 £
Dividends paid	2,078,472	1,505,964

Cornbrook Group Limited

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

11. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2019	215,879
At 31 December 2019	<u>215,879</u>
Amortisation	
At 1 January 2019	187,090
Charge for the year	21,588
At 31 December 2019	<u>208,678</u>
Net book value	
At 31 December 2019	<u>7,201</u>
At 31 December 2018	<u>28,789</u>

Cornbrook Group Limited

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

12. Tangible fixed assets

Group

	Furniture, fittings and equipment £	Motor vehicles £	Assets under construction £	Total £
Cost or valuation				
At 1 January 2019	560,805	23,824	-	584,629
Additions	29,853	-	37,841	67,694
At 31 December 2019	590,658	23,824	37,841	652,323
Depreciation				
At 1 January 2019	508,083	17,868	-	525,951
Charge for the year	27,813	4,765	-	32,578
At 31 December 2019	535,896	22,633	-	558,529
Net book value				
At 31 December 2019	54,762	1,191	37,841	93,794
At 31 December 2018	52,722	5,956	-	58,678

Cornbrook Group Limited

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

12. Tangible fixed assets (continued)

Company

	Furniture, fittings and equipment £
Cost or valuation	
At 1 January 2019	38,101
At 31 December 2019	38,101
Depreciation	
At 1 January 2019	38,101
At 31 December 2019	38,101
Net book value	
At 31 December 2019	-
At 31 December 2018	-

Cornbrook Group Limited

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

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	1,402,000
At 31 December 2019	<u>1,402,000</u>
Net book value	
At 31 December 2019	<u>1,402,000</u>
At 31 December 2018	<u>1,402,000</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Support Warehouse Limited	Ordinary	100%	Services only reseller
Technical and Software Developments Ltd	Ordinary	100%	Non-trading
Renewals Agency Limited	Ordinary	100%	Services only reseller
Support Supermarket Limited	Ordinary	100%	Dormant

The registered office of all of the above named is International Development Centre, Valley Drive, Ilkley, L529 8PB.

Cornbrook Group Limited

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

14. Debtors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	3,010,355	2,952,106	-	-
Amounts owed by group undertakings	39,194	1,496	-	-
Other debtors	6,548	6,458	-	-
Prepayments and accrued income	3,316,941	4,518,668	-	-
Deferred taxation	9,133	7,634	341	416
	6,382,171	7,486,362	341	416

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £135,420 (period ended 31 December 2018 - £83,706).

15. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	1,849,711	1,693,513	-	733

16. Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	934,439	1,289,747	-	-
Amounts owed to group undertakings	102,140	51,167	521,536	519,814
Corporation tax	181,289	259,907	-	-
Other taxation and social security	131,795	161,502	-	-
Other creditors	11,547	6,440	-	-
Accruals and deferred income	4,657,684	5,016,636	-	-
	6,018,894	6,785,399	521,536	519,814

Cornbrook Group Limited

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

17. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>8,105,908</u>	<u>9,087,870</u>	<u>-</u>	<u>733</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(5,705,810)</u>	<u>(6,363,990)</u>	<u>(521,536)</u>	<u>(519,814)</u>

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, and accruals.

18. Deferred taxation

Group

	2019 £
At beginning of period	7,634
Charged to profit or loss	1,499
At end of period	<u>9,133</u>

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Fixed asset timing differences	7,597	7,048	341	416
Short term timing differences	1,536	586	-	-
	<u>9,133</u>	<u>7,634</u>	<u>341</u>	<u>416</u>

Cornbrook Group Limited

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

18. Deferred taxation (continued)

	2019 £
At 1 January 2019	416
Charged to profit or loss	(75)
At 31 December 2019	<u>341</u>

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2,525 ordinary A shares of £1 each	2,525	2,525
284 ordinary C shares of £1 each	284	284
2,353 ordinary D shares of £1 each	2,353	2,353
	<u>5,162</u>	<u>5,162</u>

Rights, preferences and restrictions

Rights and entitlements attached to A and C shares are as follows:

- Right to vote on a show of hands, each shareholder present has one vote and a poll each such holder has one vote per share.
- Entitled to dividends (declared and paid separately on each of the share classes).
- Surplus assets available on winding up (or other exit event) up to £1,500,000 are available to be distributed between A and C ordinary shares. Surplus assets are available to be distributed pro rate between the A and C ordinary shares.
- No redemption rights

The D ordinary shares do not carry any dividend rights, but do entitle the holder to participate in the capital of the company if and to the extent that the value of the company exceeds £1,500,000.

Share options

On 14 May 2018 C Hoyle, a director, was issued with an option to purchase 101,010 CHF 0.01 ordinary shares in Annuity Management AG, the ultimate parent company. The exercise price is CHF 0.296. The options are exercisable at the point that the other investors in the group are able to realise their investment in the group or on the tenth anniversary of the grant. None were exercised in the period. The directors have considered the accounting treatment of these options under FRS102. In the opinion of the directors the fair value is immaterial.

Cornbrook Group Limited

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

20. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

21. Analysis of net debt

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	1,693,513	156,198	1,849,711
	<u>1,693,513</u>	<u>156,198</u>	<u>1,849,711</u>

22. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £39,547 (period ended 31 December 2018 - £45,497). Contributions totalling £11,547 (period ended 31 December 2018 - £6,441) were payable to the fund at the reporting date and are included in creditors.

Cornbrook Group Limited

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

23. Commitments under operating leases

At 31 December 2019 the group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2019 £	Group 2018 £
Not later than 1 year	61,141	81,521
Later than 1 year and not later than 5 years	-	61,141
	<u>61,141</u>	<u>142,662</u>

24. Related party transactions

The group and company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with any wholly owned subsidiary undertakings of the group.

During the year the group made sales of £88,635 (14 month period ended 31 December 2018 - £21,249) to Europlus Direct Limited, a fellow subsidiary of Annuity Management AG. At the period end the amount due from Europlus Direct Limited was £38,698 (2018 - £1,496).

During the year the group made purchases of £506,638 (14 month period ended 31 December 2018 - £528,986) from fellow subsidiary Tesedi France SAS. At the period end the amount owed to Tesedi France SAS was £94,819 (2018 - £48,436).

During the year the group made purchases of £1,457 (14 month period ended 31 December 2018 - £52,412) from fellow subsidiary Tesedi Schweiz GmbH. At the year end the amount owed to Tesedi Schweiz GmbH was £1,457 (2018 -£1,487).

During the year the group made purchases of £19,660 (14 month period ended 31 December 2018 - £5,540) from fellow subsidiary Tesedi Austria GmbH. At the period end the amount owed to Tesedi Austria GmbH was £498 (2018 - £1,244).

During the year the group made purchases of £40,873 (14 month period ended 31 December 2018 - £Nil) from fellow subsidiary Tesedi GmbH. At the period end the amount owed to Tesedi GmbH was £5,863 (2018 - £Nil).

Key management personnel

Key management of the group are considered to be the directors of the company and of its key trading subsidiary, Support Warehouse Limited, including the directors who resigned during the year but continued to be employed.

Cornbrook Group Limited

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

24. Related party transactions (continued)

Key management compensation

	2019 £	2018 £
Salaries and other short term employee benefits	233,005	262,489
Post-employment benefits	5,849	5,620
	<u>238,854</u>	<u>268,109</u>

25. Ultimate parent undertaking and controlling party

The company's immediate parent is Annuity Management AG, incorporated in Switzerland, and is also considered to be the company's ultimate controlling party.

26. Events after the reporting period

Since the year end the COVID-19 pandemic has occurred. Further information is disclosed in the Strategic Report and the effects on going concern can be found in note 2.4. There have been no other significant events affecting the group or company since the year end.