BGF Services Ltd

Annual reports & financial statements

For the year ended: 31 December 2019

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Company information

Company registration number

07620510

Registered Office

13-15 York Buildings
London, WC2N 6JU

Auditor

KPMG LLP
15 Canada Square
London, E14 5GL

Banker

Barclays Bank Plc
One Churchill Place
London, E14 5HP

Strategic Report

Principal activities and status

The principal activity of BGF Services Ltd ("the Company") is to provide employment services to BGF Group Plc and its subsidiaries ("the Group").

Business review

In 2019 the Group increased the size of its portfolio which generated a requirement for additional staff to support the growth of the Group, with the number employed by the Company rising to 171 (2018: 158). This increase, combined with the full year impact of the existing staff provided to the Group, resulted in the Company's turnover increasing from £35,500,000 to £37,236,000, showing an increase of 5%.

The Group is expected to need additional staff during 2020 as it continues to expand, and this will provide some growth for the Company.

Principal risks and uncertainties

Turnover is wholly generated from transactions with companies within the BGF Group. The management of the business and the execution of the Company's strategy are subject to a number of risks, all of which are closely integrated with those of the Group. Accordingly, the principal risks and uncertainties of the Group are discussed below.

The key risks that the Group faces relate to the investment portfolio. Making equity linked investments in small, predominantly unquoted companies, by its nature, carries a higher degree of risk, as well as illiquidity, than investments in quoted or listed assets. This risk is managed through the Group's investment and portfolio management processes and is in line with other providers of unquoted equity investment. As the Group expands its investments the directors will mitigate some of this risk by ensuring that it maintains a diverse portfolio across business sectors and geography.

The nature of these investments also gives rise to a liquidity risk as there is not generally a ready market for the sale of the assets. The directors mitigate this risk by aiming to ensure that sufficient cash reserves are maintained to cover any short-term liabilities.

The Group operates in a highly regulated market and BGF Investment Management Ltd (a wholly owned subsidiary of the Group) is authorised by the Financial Conduct Authority to carry out its investment business. The directors have put in place procedures and controls to ensure that this authorisation is maintained.

A more detailed analysis of the financial risks facing the Group is shown in the financial statements of BGF Group Plc, obtainable from 13-15 York Buildings, London, WC2N 6JU.

Strategic Report (continued)

Key Performance Indicators

The Company uses both financial and non-financial measures to track progress against its primary objectives of supporting the operations of the Group. A more detailed analysis of the key performance indicators used by the Group is shown in the financial statements of BGF Group Plc, obtainable from 13-15 York Buildings, London, WC2N 6JU.

Political and charitable donations

The Company made charitable donations of £4,403 in 2019 (2018: £3,395) as part of its policy to match employee donations up to a maximum of £250 per employee. The Company did not make any contributions to political parties during either the current or the previous year.

This report was approved by the Board of Directors on 16 April 2020 and signed on its behalf by:

Stephen Welton (Chief Executive Officer)

Directors' Report

The directors present their Directors' Report, Strategic Report and Financial Statements for the year ended 31 December 2019.

The Company has chosen to set out information relating to the business review and future developments, key performance indicators, principle risks and uncertainties, and charitable and political donations within the Company Strategic Report on pages 4 to 5.

Going Concern

The Group's Shareholders have committed a total of £425m, available to be drawn over the year, to fund both the Group's investment and operational requirements, including the operational requirements of the Group's subsidiaries. The Group actively manages its portfolio of investments and related Covid-19 exposure, and the directors have considered various downside scenarios, which alongside the permanent funding committed from its shareholders to the Group enables the Directors to conclude the Company is able to fund its activities for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual reports and financial statements.

Results and dividends

The Company made a profit after taxation of £1,502,000 (2018: £1,427,000). A Dividend of £1,500,000 (2018: £1,500,000) was paid during the year.

Creditor payment policy

The Company's payment policy is to settle supplier invoices in accordance with agreed terms. At 31 December 2019, there were 14 days (2018: 27 days) of purchases in trade creditors.

Directors

The directors who served during the year were:

Stephen Welton
Matthew Reed

The directors have no interest in the shares of the Company.

Disclosure of information to auditors

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

Directors' Report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the Board of Directors on 16 April 2020 and signed on its behalf by:

Stephen Welton (Chief Executive Officer)

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of BGF Services Ltd

Opinion

We have audited the financial statements of BGF Services Ltd ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent auditor's report to the members of BGF Services Ltd (continued)

Strategic report and directors' report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report to the members of BGF Services Ltd (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24 April 2020

Profit and Loss Account

For the year ended 31 December 2019

	Notes	**2019** **£'000**	2018 £'000
Turnover	2	**37,236**	35,500
Operating expenses	3,4	**(35,463)**	(33,810)
Profit on ordinary activities before taxation		**1,773**	1,690
Taxation on ordinary activities	6	**(271)**	(263)
Profit on ordinary activities after taxation		**1,502**	1,427
Total comprehensive income		**1,502**	1,427

All of the above arose from continuing operations.

A statement of total recognised gains and losses has not been prepared as all gains and losses are recognised in the profit and loss account.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The notes on pages 15 to 20 form an integral part of these financial statements

Balance Sheet

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Current assets			
Debtors	7	**60,850**	32,410
Cash at bank and deposit		**165**	59
		61,015	32,469
Creditors: amount falling due within one year	8	**(59,714)**	(31,170)
Net current assets		**1,301**	1,299
Net assets		**1,301**	1,299
Capital and Reserves			
Called up Share capital	10	**-**	-
Retained Earnings	11	**1,301**	1,299
Equity shareholders' funds		**1,301**	1,299

These financial statements were approved by the Board of Directors on 16 April 2020 and were signed on its behalf by:

Stephen Welton (Chief Executive Officer)
Company registration number: 07620510

The notes on pages 15 to 20 form an integral part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2019

	Called up Share Capital £'000	Profit & Loss Account £'000	**Total equity £'000**
Balance as at 1 January 2019	-	1,299	**1,299**
Profit for the period	-	1,502	**1,502**
Dividend paid to BGF Group Plc	-	(1,500)	**(1,500)**
Balance as at 31 December 2019	**-**	1,301	**1,301**

For the year ended 31 December 2018

	Called up Share Capital £'000	Profit & Loss Account £'000	**Total equity £'000**
Balance as at 1 January 2018	-	1,372	**1,372**
Profit for the period	-	1,427	**1,427**
Dividend paid to BGF Group Plc	-	(1,500)	**(1,500)**
Balance as at 31 December 2018	**-**	1,299	**1,299**

The notes on pages 15 to 20 form an integral part of these financial statements

Notes to the financial statements

For the year ended 31 December 2019

1. Accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies have been applied consistently to all periods presented in these financial statements.

Under FRS 102 paragraph 1.12, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking, BGF Group Plc, includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of BGF Group Plc, which prepares consolidated financial statements, it has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 and has therefore not separately disclosed transactions or balances with other wholly owned subsidiaries of BGF Group Plc.

b. Going concern

The Group's Shareholders have committed a total of £425m, available to be drawn over the year, to fund both the Group's investment and operational requirements, including the operational requirements of the Group's subsidiaries. The Group actively manages its portfolio of investments and related Covid-19 exposure, and the directors have considered various downside scenarios, which alongside the permanent funding committed from its shareholders to the Group enables the Directors to conclude the Company is able to fund its activities for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual reports and financial statements.

c. Turnover

Turnover relates to the provision of services to BGF Group and is recognised on an accruals basis. The turnover for the Company represents the recharge of staff and staff related services to Business Growth Fund Limited and BGF Investments Management Limited.

The revenue relates to services provided in the UK and Ireland and the directors consider that the services provided in different geographical locations do not differ substantially.

d. Operating expenses

Operating expenses are recorded on an accruals basis.

e. Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to

Notes to the financial statements

For the year ended 31 December 2019

e. Taxation (continued)

tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax, or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognised in the Company and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

f. Post retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

g. Financial instruments

Trade and other debtors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

Trade and other creditors
Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

Accruals
Accruals are recognised for expenditure incurred within the year which are anticipated to be settled shortly following the end of the current accounting period.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances.

2. Turnover

	2019	2018
	£'000	£'000
Group recharges	**37,236**	35,500
Total	**37,236**	35,500

Notes to the financial statements

For the year ended 31 December 2019

3. Operating expenses

	2019 £'000	2018 £'000
Staff costs	**32,884**	31,243
Other costs	**2,579**	2,567
Total	**35,463**	33,810

Auditor's remuneration of £13,450 (2018: £12,250) for the audit of these financial statements is wholly borne by Business Growth Fund Limited, a wholly owned subsidiary of the Group. There were no other amounts payable to the Auditor during the year (2018: £nil).

4. Staff costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2019	2018
Senior management team (including directors)	**8**	10
Investment staff	**107**	101
Support staff	**49**	37
Total	**164**	148

At 31 December 2019, the total number of staff (including non-executive directors) was 171 (2018: 158).

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages & salaries	**27,080**	25,906
Social security costs	**4,183**	3,845
Other pension costs	**1,621**	1,492
Total staff costs	**32,884**	31,243

5. Directors' remuneration

The directors do not receive any remuneration in respect of services rendered for this Company.

Notes to the financial statements

For the year ended 31 December 2019

6. Taxation

a. Analysis of tax charge in the year

	2019	2018
	£'000	£'000
UK corporation tax (note 6(b))	**291**	263
Deferred tax credit	**(20)**	-
Total tax charge	**271**	263

b. Factors affecting the tax charge for the year

	2019	2018
	£'000	£'000
Profit on ordinary activities before taxation	**1,773**	1,690
Corporation tax at 19.00% (2018: 19.00%)	**336**	321
Effect of:		
Disallowed administrative expenses	**58**	43
Group relief surrender to subsidiary	**(384)**	(197)
Adjustments in respect of prior periods	**-**	1
Foreign permanent establishment exemption	**(11)**	(10)
Payment for group relief	**292**	105
Tax charge for the period (note 6(a))	**291**	263

c. Deferred tax

	Balance Sheet		Income Statement	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Other short-term timing differences	**20**	-	**20**	-
Total deferred tax asset	**20**	-	**20**	-

A reduction to the UK Corporation tax rate was substantively enacted on 6 September 2016 reducing the main rate of corporation tax to 17% from 1 April 2020. Following the Budget on 11 March 2020, it is proposed that the corporation tax rate will no longer be reduced from 19% to 17% from 1 April 2020. However, as this change is yet to be substantively enacted into UK tax law, all deferred tax assets have been recognised at a corporation tax rate of 17%.

Notes to the financial statements

For the year ended 31 December 2019

7. Debtors

	2019 £'000	2018 £'000
Amounts due from other group companies	**60,421**	32,169
Taxation	**296**	11
Prepayments & accrued income	**133**	230
Total	**60,850**	32,410

8. Creditors

	2019 £'000	2018 £'000
Trade creditors	**113**	214
Amounts due to other group companies	**46,097**	17,942
Taxation & social security	**682**	636
Pensions payable	**124**	2
Accruals & deferred income	**12,698**	12,376
Total	**59,714**	31,170

9. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet an obligation or commitment that it has entered into with the Company. The Board of Directors' has in place a monitoring procedure in respect of counterparty risk which is reviewed on an on-going basis. The maximum credit risk exposure at the balance sheet date is best represented by the carrying value of cash held at that date.

The Board considers that the Company has low credit risk exposure on its receivables balance of £60,850,000 (2018: £32,410,000) as the balance is primarily held with other group companies.

As at 31 December 2019, the Company's credit risk exposure was as follows:

	2019 £'000	2018 £'000
Cash at bank and in hand	**165**	59

All of the cash of the Company is held by Barclays Bank plc. The Board monitor the credit quality and financial position of Barclays regularly and would seek to move the cash holdings if this position deteriorated.

Notes to the financial statements

For the year ended 31 December 2019

10. Share capital

	2019 £'000	2018 £'000
100 Ordinary shares of £1 each – allotted, called-up and fully paid	-	-

11. Reserves

	Retained Earnings £'000
As at 1 January 2019	**1,299**
Profit on ordinary activities after taxation	**1,502**
Dividend paid to BGF Group Plc	**(1,500)**
As at 31 December 2019	**1,301**

12. Related party transactions

The Company has placed cash deposits with Barclays Bank Plc, which is a member of a group including one of the Group's shareholders. The interest receivable from these deposits was £nil (2018: £nil) during the period. The balance on deposit at the year-end was £165,051 (2018: £59,341). All transactions have been made on an arm's length basis.

13. Immediate and ultimate parent undertaking

At 31 December 2019, the Company's immediate and ultimate parent undertaking was BGF Group Plc, a company incorporated in England and Wales. The financial statements of BGF Group Plc can be obtained from 13-15 York Buildings, London, WC2N 6JU.

14. Subsequent events

At the start of 2020, a new coronavirus (COVID-19) was confirmed spread across a considerable number of countries, leading to a significant disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets.

The directors consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event as the potential impact was not known as at 31 December 2019.

COVID-19 could lead to significantly reduced future revenues and future cash flows in the unquoted companies which we invest in. There could also be an impact on the future revenues and cash flows of the Company. However, given the inherent uncertainties, it is not practicable at this time to determine the future impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.