

Company Registration No. 10624123 (England and Wales)

**CHURCHILL KNIGHT UMBRELLA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**



CHURCHILL KNIGHT UMBRELLA LIMITED

COMPANY INFORMATION

Directors	Mr J V Payne Mr T Edwards Mrs S J O'Toole
Company number	10624123
Registered office	Suite G Hollies House 230 High Street Potters Bar Herefordshire EN6 5BL
Auditor	Knowles Warwick Limited Charlotte House 500 Charlotte Road Sheffield S2 4ER

CHURCHILL KNIGHT UMBRELLA LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Directors' responsibilities statement	6
Independent auditor's report	7 - 9
Profit and loss account	10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 25

CHURCHILL KNIGHT UMBRELLA LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2020

The directors present the strategic report for the year ended 31 January 2020.

Fair review of the business

Business Overview

Churchill Knight Umbrella are an Umbrella Employment solution for contractors in a variety of industries. Situated from one head office in Potters Bar, employing 5 internal staff and over 1,000 contractors.

The company is built with a focus on customer service, ensuring that our contractors are paid as efficiently as possible as we run multiple payrolls every day of the week to deliver a service that cannot be bettered. Efficiency is at the heart of everything we do, for both the contractors and ourselves.

Although the company is still young having only been established in 2017, it has been built on foundations that ensure great success for the long term with both the right software and people that we have invested in to take the company forward.

Markets and Trends

The contractor market which in which the company is situated, is in the middle of a significant change with IR35 reforms effecting the industry massively which will cause there to be a change in the dynamic of PSC's and Umbrella companies. This will see more and more contractors move to the Umbrella company model and therefore it is critical that we are able to continue to provide an excellent service whilst experiencing potentially rapid growth.

The company's systems have been built to be able to handle an influx in contractors due to the market changes and the foundations have been set to enable us to have a smooth transition of on-boarding for large numbers of contractors during key months. The consultation process has seen an overhaul to improve efficiency for this very reason.

Growth

One of the company's main objectives is growth and that isn't limited to revenue but also levels of service. It is essential to us that during successful growth that we do not take our eye off our existing service levels which is why it is not just sales that we are investing in but also software and personnel.

During the current accounting year we have invested significantly in our processing software so as to enable improved scalability without losing the quality of the service. Although this might not be reflected in software cost, the time spent on it by staff is an investment for the future of the company. Additionally, increased staff costs are directly related to the growth of turnover whilst maintaining service levels. It is critical to us that all the key foundational elements are present before we seek further growth and this year has certainly been a period of investment for a better future for both us and our contractors.

Although revenue is not the only key indicator for our growth, the company saw excellent growth in line with our strategy for the year of 111% and the fee income saw an increase of 81%.

As noted earlier, part of the strategy for long term growth is the reinvestment of revenue into our staff and customer service provision. This is why with an 81% increase in fee income we have reinvested heavily in staff with a 74% increase in operating wages.

CHURCHILL KNIGHT UMBRELLA LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

Principal risks and uncertainties

For any umbrella company, including Churchill Knight Umbrella the assessment of risk is of the utmost importance due to the nature of the company. The company needs to be fully compliant with employment law as well as having security in place due to the amounts of money coming in and out of the company and current checks and balances taking place on an extremely frequent basis.

As a company the board is fully responsible for the risk management including both a Compliance Director and an Operations Director. As a company we have a 3 point risk management process where all risk is identified, assessed and actioned accordingly.

Identifying Risk – We promote all staff to bring risks and issues to the attention of the board, however there are 4 main areas where we have people in place to identify risk, namely Compliance, Finance, Operations and Industry/Market. Any risks that are identified are brought to the bi-weekly Company Direction Meeting to be assessed if an assessment is required. If they have been identified and the individual responsible for that area has already assessed and actioned accordingly then the review of the risk is still brought to the meeting to inform the rest of the board of the risk, assessment and action that took place.

Risk Assessment – Once risks have been identified the board will assess the risk, led by the individual in which area the risk has been identified. As a company we are extremely risk adverse so it is very rare that no action would be taken when identifying risk. It is also important to us to not only action this risk identified but look at how the attributes of this risk could potentially be found in other areas also. It is important to learn from every one of these instances.

Risk Action – Any actions identified by the board are agreed and the assigned to the relevant lead person to complete. These are reviewed until the action has been completed and then feedback provided to the board on the success of the actions.

CHURCHILL KNIGHT UMBRELLA LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

Ongoing risks

The company has identified and has appropriate protections in place for the following risks:

Compliance – Employment Law

Any changes in employment law will have an impact on us as a company and we need to ensure that we are able to adapt with any changes. We have a Compliance Director in place to ensure they feed back any pending employment law changes and we have an external Employment Consultant and an Employment Lawyer to do the same so that if any of them miss anything there are two back up sources

Compliance – Right To Work

Any contractor who is employed by the company and does not have the right to work in the UK can lead to a penalty of up to £20,000 per worker. Our workflows do not allow anyone to be paid without Right to Work proof. There are also two methods of verifying right to work

Compliance – Regulator Changes

Being accredited by FCSA we need to keep up to date with any changes. A yearly audit ensures that we are reviewing our processes on a regular basis and with a communication structure in place with FCSA any changes throughout the year are provided with time to implement

Finance – Cash flow

The company itself receives a high quantity of transactions and although the individual values are not necessarily large, they aggregate to millions. Likewise thousands of transactions go out of the company on a monthly basis as well whilst all liabilities needing to be covered. A negative cash flow would affect the company to the highest severity and could even cause the company to no longer trade. The cash flow forecast is part of the regular forecasting performed by the finance team with weekly, monthly and annual cash flows continuously monitored.

Finance – Liabilities

Overdue liabilities with HMRC could result in significant fines and penalties due to the size of the company and its liabilities. It is critical that we do not have late payment of liabilities for our external relationships. Multiple members of the finance team are responsible for the payments of liabilities meaning that should one staff member be unable to there are multiple other staff who will ensure payments are made.


Operations – Human Error

With any company and operations there is always an element of human error and because in an umbrella company human error can lead to incorrect tax or underpaid contractors it is vitally important to review this. We have significant reporting which not only alerts us when certain abnormal criteria is met but there are weekly reports that are commented on and reviewed so that should any error be identified that it is remedied within 7 days.

Operations – Data Protection

The data protection regulations including GDPR must be met as an ICO registered company. As a company we need to ensure that we are keeping the personal data of our contractors secure. Regular training is provided to all of our staff as well as policies provided. We have a legal team to deal with and monitor any breaches and liaise with the ICO where necessary. Our systems provide security and controls for data protection also.

On behalf of the board


.....
Mr T Edwards
Director
24/02/2021

CHURCHILL KNIGHT UMBRELLA LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2020

The directors present their annual report and financial statements for the year ended 31 January 2020.

Principal activities

The principal activity of the company continued to be that of the provision of temporary staff.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs J L Payne

(Resigned 15 April 2019)

Mr J V Payne

Mr T Edwards

Mrs S J O'Toole

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

The auditor, Knowles Warwick Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

CHURCHILL KNIGHT UMBRELLA LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

On behalf of the board



.....
Mr T Edwards
Director

Date: 24/02/2021.....

CHURCHILL KNIGHT UMBRELLA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CHURCHILL KNIGHT UMBRELLA LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHURCHILL KNIGHT UMBRELLA LIMITED

Opinion

We have audited the financial statements of Churchill Knight Umbrella Limited (the 'company') for the year ended 31 January 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the 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 FRS 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 January 2020 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.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

CHURCHILL KNIGHT UMBRELLA LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHURCHILL KNIGHT UMBRELLA LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' 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.

CHURCHILL KNIGHT UMBRELLA LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHURCHILL KNIGHT UMBRELLA LIMITED

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.



Steven Knowles (Senior Statutory Auditor)
For and on behalf of Knowles Warwick Limited

Chartered Accountants
Statutory Auditor

.....
24/02/2021

Charlotte House
500 Charlotte Road
Sheffield
S2 4ER

CHURCHILL KNIGHT UMBRELLA LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2020

		2020	2019
	Notes	£	as restated £
Turnover	2	44,395,782	21,090,295
Cost of sales		(43,753,267)	(20,745,475)
Gross profit		642,515	344,820
Administrative expenses		(662,695)	(487,572)
Operating loss	3	(20,180)	(142,752)
Interest receivable and similar income	5	4,750	-
Interest payable and similar expenses	6	(5)	(1)
Loss before taxation		(15,435)	(142,753)
Tax on loss	7	-	-
Loss for the financial year		(15,435)	(142,753)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CHURCHILL KNIGHT UMBRELLA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JANUARY 2020

	2020 £	2019 £
Loss for the year	(15,435)	(142,753)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(15,435)</u>	<u>(142,753)</u>

CHURCHILL KNIGHT UMBRELLA LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8		63		6,274
Current assets					
Debtors	9	1,471,742		1,016,984	
Cash at bank and in hand		1,939,416		1,367,068	
		<u>3,411,158</u>		<u>2,384,052</u>	
Creditors: amounts falling due within one year	10	<u>(3,592,742)</u>		<u>(2,556,412)</u>	
Net current liabilities			(181,584)		(172,360)
Total assets less current liabilities			<u>(181,521)</u>		<u>(166,086)</u>
Capital and reserves					
Called up share capital	13		2		2
Profit and loss reserves			(181,523)		(166,088)
Total equity			<u>(181,521)</u>		<u>(166,086)</u>

The financial statements were approved by the board of directors and authorised for issue on 24/02/2021 and are signed on its behalf by:


Mr T Edwards
Director

Company Registration No. 10624123

CHURCHILL KNIGHT UMBRELLA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2020

	Share capital £	Profit and loss reserves £	Total £
As restated for the period ended 31 January 2019:			
Balance at 1 February 2018	2	(23,335)	(23,333)
Year ended 31 January 2019:			
Loss and total comprehensive income for the year	-	(142,753)	(142,753)
	<hr/>	<hr/>	<hr/>
Balance at 31 January 2019	2	(166,088)	(166,086)
Year ended 31 January 2020:			
Loss and total comprehensive income for the year	-	(15,435)	(15,435)
	<hr/>	<hr/>	<hr/>
Balance at 31 January 2020	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CHURCHILL KNIGHT UMBRELLA LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	16		709,738		1,141,720
Interest paid			(5)		(1)
Income taxes (paid)/refunded			(137,304)		61,750
Net cash inflow from operating activities			<u>572,429</u>		<u>1,203,469</u>
Investing activities					
Loans made		-		(190,000)	
Net cash used in investing activities			<u>-</u>		<u>(190,000)</u>
Net increase in cash and cash equivalents			<u>572,429</u>		<u>1,013,469</u>
Cash and cash equivalents at beginning of year			1,366,987		353,518
Cash and cash equivalents at end of year			<u><u>1,939,416</u></u>		<u><u>1,366,987</u></u>
Relating to:					
Cash at bank and in hand			1,939,416		1,367,068
Bank overdrafts included in creditors payable within one year			<u>-</u>		<u>(81)</u>

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies

Company information

Churchill Knight Umbrella Limited is a private company limited by shares incorporated in England and Wales. The registered office is Suite G, Hollies House, 230 High Street, Potters Bar, Herefordshire, EN6 5BL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Turnover is recognised at the point of service provision which matches to when the company incurs the liability to HMRC and the worker. The income for future payroll runs, which is billed in advance of operating the payroll, is deferred until payment is received from the customer.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
----------	-------------------

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies

(Continued)

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

2 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Umbrella payroll services	44,395,782	21,090,295

	2020	2019
	£	£
Other significant revenue		
Interest income	4,750	-

3 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	-	1
Fees payable to the company's auditor for the audit of the company's financial statements	8,700	-
Amortisation of intangible assets	6,211	6,211

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Employees	593	571

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	39,418,575	18,834,687
Social security costs	4,350,322	2,013,240
Pension costs	275,657	72,226
	44,044,554	20,920,153

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

5 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest income	4,750	-

6 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	5	1

7 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Loss before taxation	(15,435)	(142,753)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(2,933)	(27,123)
Tax effect of expenses that are not deductible in determining taxable profit	1,883	1,984
Unutilised tax losses carried forward	1,050	25,139
Taxation charge for the year	-	-

8 Intangible fixed assets

	Software £
Cost	
At 1 February 2019 and 31 January 2020	18,635
Amortisation and impairment	
At 1 February 2019	12,361
Amortisation charged for the year	6,211
At 31 January 2020	18,572
Carrying amount	
At 31 January 2020	63
At 31 January 2019	6,274

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

9 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	1,085,613	765,179
Corporation tax recoverable	77,098	-
Other debtors	305,725	251,805
Prepayments and accrued income	3,306	-
	<u>1,471,742</u>	<u>1,016,984</u>

10 Creditors: amounts falling due within one year

	Notes	2020	2019
		£	£
Bank loans and overdrafts		-	81
Trade creditors		22,071	24,285
Corporation tax		1,544	61,750
Other taxation and social security		2,524,410	1,686,742
Deferred income	11	904,270	637,650
Other creditors		129,717	143,874
Accruals and deferred income		10,730	2,030
		<u>3,592,742</u>	<u>2,556,412</u>

The aggregate amount of creditors for which security is provided amounted to £nil (2019 - £81).

11 Deferred income

	2020	2019
	£	£
Other deferred income	<u>904,270</u>	<u>637,650</u>

12 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>275,657</u>	<u>72,226</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

13 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

13 Share capital

(Continued)

14 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Purchases	
	2020	2019
	£	£
Other related parties	63,077	226,963

	Loans		Expenses on behalf of	
	2020	2019	2020	2019
	£	£	£	£
Other related parties	24,000	-	23,636	-

The following amounts were outstanding at the reporting end date:

	2020	2019
	£	£
Amounts due to related parties		
Other related parties	50,676	88,023

	2020	2019
	£	£
Amounts due from related parties		
Other related parties	47,363	-

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

14 Related party transactions

(Continued)

All related party loans are interest free and payable on demand.

At the year end the company owed £61,591 (2019 - £97,587) to Churchill Knight Associates Limited. The directors J Payne and T Edwards are also directors of Churchill Knight Associates Limited and the shareholders of Churchill Knight Umbrella Limited are also the majority shareholders of Churchill Knight Associates Limited.

At the year end Bluebird Umbrella Limited owed £7,253 (2019 - £nil) to Churchill Knight Umbrella Limited. The directors J Payne and T Edwards are also directors of Bluebird Umbrella Limited and the shareholders of Churchill Knight Umbrella Limited are also the majority shareholders of Bluebird Umbrella Limited.

At the year end Churchill Knight Umbrella Limited was also owed £9,659 (2019 - £nil) from Umbrellco UK Limited, £14,847 (2019 - £nil) from Umbrellco UK JE Limited, £3,287 (2019 - £nil) from Umbrellco UK CIS Limited and £12,590 (2019 - £nil) from Umbrellco UK Drivers Limited. The directors S O'Toole and T Edwards are also directors of these companies and the shareholders of Churchill Knight Umbrella Limited are also the majority shareholders.

15 Directors' transactions

Loans have been granted by the company to its directors as follows:

Description	% Rate	Opening balance £	Interest charged £	Closing balance £
Mr J V Payne - Director's loan	2.50	190,000	4,750	194,750
		<u>190,000</u>	<u>4,750</u>	<u>194,750</u>

16 Cash generated from operations

	2020 £	2019 £
Loss for the year after tax	(15,435)	(142,753)
Adjustments for:		
Finance costs	5	1
Investment income	(4,750)	-
Amortisation and impairment of intangible assets	6,211	6,211
Movements in working capital:		
Increase in debtors	(372,910)	(424,661)
Increase in creditors	829,997	1,067,071
Increase in deferred income	266,620	635,851
Cash generated from operations	<u>709,738</u>	<u>1,141,720</u>

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

17 Analysis of changes in net funds

	1 February 2019 £	Cash flows £	31 January 2020 £
Cash at bank and in hand	1,367,068	572,348	1,939,416
Bank overdrafts	(81)	81	-
	<u>1,366,987</u>	<u>572,429</u>	<u>1,939,416</u>

18 Prior period adjustment

Reconciliation of changes in equity

	Notes	1 February 2018 £	31 January 2019 £
Adjustments to prior year			
Overstated sales	1	-	(496,612)
Corporation tax overstated	2	-	77,098
Net wages understated	3	-	(77,298)
Total adjustments		-	(496,812)
Equity as previously reported		(23,333)	330,726
Equity as adjusted		<u>(23,333)</u>	<u>(166,086)</u>

Reconciliation of changes in profit/(loss) for the previous financial period

	Notes	2019 £
Adjustments to prior year		
Overstated sales	1	(496,612)
Corporation tax overstated	2	77,098
Net wages understated	3	(77,298)
Total adjustments		(496,812)
Profit as previously reported		354,059
Loss as adjusted		<u>(142,753)</u>

Notes to reconciliation

Overstated sales

Sales that were subsequently cancelled or credit noted were recognised at the year end without appropriate provision to recognise that they did not meet the criteria of a recoverable debt.

Corporation tax overstated

Corporation tax on the results for the year was overstated following the prior year adjustment for sales.

CHURCHILL KNIGHT UMBRELLA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

18 Prior period adjustment

(Continued)

Net wages understated

A debtor reflecting wages paid in advance was recognised in error at the year end