NORMAN BROADBENT

BOARD | SEARCH | INTERIM | CONSULTING | INSIGHT | SOLUTIONS

Annual Report and Financial Statements
For the year ended 31 December 2019

Contents

The Norman Broadbent Group

The Norman Broadbent Group is a leading Professional Services firm focussing on Talent Acquisition & Advisory Services. Since our formation nearly 40 years ago we have developed a range of complementary services consisting of Board & Leadership Search, Senior Interim Management, Research & Insight, Leadership Consulting, and Solutions. With a range of services designed to meet customer needs at different stages in their growth or the economic cycle, our innovative and flexible approach enables us to help clients in a creative and bespoke way. By operating within sector 'hubs' as opposed to siloed service lines, we are able to service clients better and more collaboratively.

The Group's strategy is to further develop, strengthen, and scale our complementary portfolio of Talent Acquisition & Advisory services. This could be achieved via further selective hires, new partnerships, and greater innovation. Ultimately our aim is to help clients make better informed, more effective buying decisions to ensure successful outcomes.

Leadership & Executive Search

With nearly 40 years of experience, we have developed a proven Search model delivering exceptionally high success rates, levels of client satisfaction, and repeat business across all our sector 'hubs'. Adopting the attitude that no two assignments are the same, we provide innovative bespoke Search solutions at Board and Leadership level. This often sees us incorporating other services such as Research & Insight, Leadership Consulting, Assessment, and Senior Interim Management to ensure successful outcomes.

Senior Interim Management

Our Senior Interim Management offering operates at the highest levels. Often driving change and transformation, or 'fire-fighting' in the most difficult of circumstances, our Interim Executives are proactive, impactful, experienced professionals who create significant and lasting results. By collaborating with colleagues across all sector 'hubs' we can solve senior talent issues in an agile, creative, cost-effective, and time-efficient way for clients.

Solutions

Our Solutions offering delivers an agile and high-quality service focusing on 'Future Leaders, Next Generation and High Potential Talent', a market segment not typically served by traditional Search firms. Expert in delivering professional and specialist 'hard to find talent', we help clients identify, engage with, and attract, sought-after emerging professionals. Operating across all sector 'hubs', we offer a range of specialist services from single retained search assignments through to team or business builds and Executive-RPO.

Research & Insight

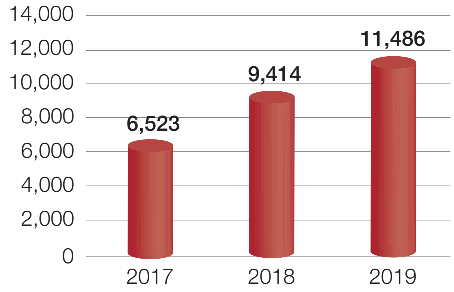
Research underpins everything we do – it helps customers make fully informed decisions, provides valuable market and competitor intelligence, and enables us to support clients more effectively thus de-risking people, organisational and commercial decisions. Not only is our Research & Insight service highly complementary and integral to our recruitment offerings, but it is increasingly used by clients on a stand-alone basis.

Leadership Consulting

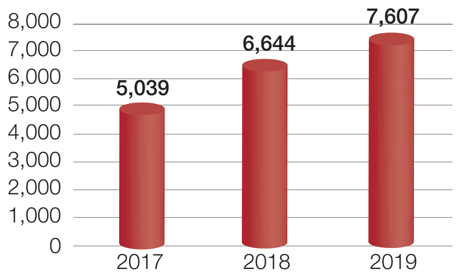
Our Consulting team provides independent assurance to clients that they are making effective talent decisions. Our selection and development assessments utilise tailored psychometrics underpinned by investigative, behavioural interviewing techniques to give a candid, objective, evidence-based opinion to support critical people decisions. We support clients in identifying their talent requirements focussing on top-team risks, refreshing executive board competencies, benchmarking executive developmental potential, and delivering 360-degree feedback. We provide confidential analysis on succession planning, identifying development gaps in management capability, and potential issues in newly formed leadership teams pre/post-merger or during corporate restructuring.

Financial Highlights

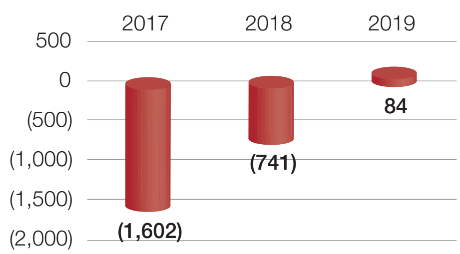
Group Revenue – £000s



Group NFI – £000s



Group Profit/(Loss) Before Tax – £000s



- Norman Broadbent Group returns to profit
- Revenue increase YOY by £2.1m (+22%)
- Net Fee Income (NFI) increased YOY by £1.0m (+14%)
- Group Profit before tax of £84k, an improvement of £0.8m from 2018
- Interim Management NFI increased by £0.8m (+51%) to £2.2m
- Solutions NFI increased by £0.6m (+53%) to £1.8m
- Executive Search NFI decreased by £0.4m (-11%) to £3.3m
- 23% of 2019 Group NFI generated via internal referrals evidencing collaborative business culture
- Further improved NFI mix evidences ongoing creation of a more balanced Group CEO's Review

CEO's Review

for the year ended 31 December 2019

Results for the financial year

The table below summarises the results of the Group:

Continuing operations	Year ended 31 December 2019 £000's	Year ended 31 December 2018 £000's
Revenue	**11,486**	**9,414**
Cost of sales	(3,879)	(2,770)
Net fee income (gross profit)	**7,607**	**6,644**
Operating expenses	(7,462)	(7,308)
Group operating profit/(loss)	**145**	**(664)**
Net finance cost	(61)	(77)
Profit before tax	**84**	**(741)**
Income tax	–	–
Profit/(Loss) after tax	**84**	**(741)**

Strategic review

Since my appointment as Group CEO, our team has worked hard to build the 'new' Norman Broadbent Group. During 2019 we continued our focus on identifying client needs/future risks, leveraging synergies between our complementary service lines, increasing internal collaboration and crafting bespoke solutions. This means that irrespective of the service line clients first connect with, we always aim to deliver tailored innovative solutions drawing on our full range of resources rather than supplying a traditional, transactional, siloed service. I am pleased to report that clients are reacting positively to our approach. This has been reflected in the trajectory of our 2019 results which has seen continued Revenue/NFI growth and a return to profitability. I am delighted that after much hard work and commitment, our efforts are being rewarded and we are increasingly seen as an agile, relevant, customer focused Professional Services business.

2019 trading and business review

In 2019, Group turnover increased to £11,486,000 (2018: £9,414,000) whilst overall net revenues after associate and interim costs in the continuing businesses increased to £7,607,000 (2018: £6,644,000). Although we continued to invest in innovative entrepreneurial talent, a focus on cost management ensured that operating expenses increased only marginally to £7,462,000 (2018: £7,308,000). Operating profit from continuing operations was £145,000 which is a very welcome positive swing from the 2018 operating loss of £664,000.

In addition to the commentary on the individual business areas set out below, note 3 of the Consolidated Financial Statements provides a detailed segmental breakdown of the 2019 Group results.

Norman Broadbent Executive Search ("NBES")

During 2019 NBES Net Fee Income decreased by 11% to £3,326,000 (2018: £3,725,000) off the back of lower headcount. The loss before tax increased to £280,000 (2018: loss £260,000).

NBES is the leading contributor of cross referrals within the Group, generating £871,000 in new business for other teams. This level of cross referral is directly linked to the positive, more collegiate, cultural change which has occurred in the Group. The increase in internal referrals contributed significantly to our 2019 results.

CEO's Review

continued

Norman Broadbent Interim Management ("NBIM")

NBIM is now established in our key areas of market and functional specialisations and has successfully leveraged the heritage high-end Norman Broadbent brand. As businesses are facing increasingly complex short-term challenges, much of NBIM's activity is focused on client mandates to find and place senior level, high impact Interim professionals. Unlike many Interim providers, NBIM does not focus on the transactional commoditised lower margin end of the market. NBIM generated Net Fee Income (after interim costs) of £2,235,000 (2018: £1,484,000) resulting in a profit of £248,000 (2018 £87,000).

Norman Broadbent Solutions ("NBS")

Following a change in leadership in 2018, NBS has further improved its performance and enhanced its proposition/market position. This has enabled us to successfully promote staff from within whilst attracting new talent from competitors. Net Fee Income increased to £1,830,000 (2018: £1,196,000) generating a profit before tax of £204,000 (2018 £74,000). We see significant opportunities in the market as we blend service lines within our portfolio to provide optimal client solutions ranging from single hires through to longer-term team builds.

Research and Insight ("R&I")

R&I not only supports our own internal requirements, but also provides complementary services to clients. R&I is an important strategic differentiator and an enabler of follow-on work, particularly for NBES and NBS. Clients can be provided with research, market insight and business intelligence enabling them to make more informed 'people', organisational or commercial decisions and is available across all our service areas. The revenue arising is included within the Search business.

Norman Broadbent Leadership Consulting ("NBLC")

NBLC saw NFI (after associate costs) decrease from £239,000 in 2018 to £216,000 in 2019. This resulted in a loss before tax of £76,000 in 2019 compared with a loss before tax of £38,000 in 2018. We are committed to NBLC and have recently invested in additional leadership to help fuel growth.

Financial position

As at 31 December 2019, consolidated net assets were £1,365,000 (2018: £1,268,000) with net current liabilities of £219,000 (2018: Net Current Liabilities of £454,000). Group cash amounted to £432,000 (2018: £684,000).

Net cash outflow from operations in 2019 was (£182,000) (2018: Inflow £354,000). Net cash inflow from financing activities amounted to £21,000 (2018: outflow £103,000).

At 31 December 2019 the Group had £950,000 (2018: £776,000) of funds drawn down against the revolving invoice discounting facility against UK trade receivables of £2,733,000 (2018: £2,076,000).

The Directors continue to monitor and manage the Group's working capital carefully.

Covid-19

As concerns about Covid-19 began to emerge in March, we moved swiftly to ensure we were appropriately positioned to deal with a period of extended uncertainty. Staffing changes were made, and a small number of team members were furloughed or released from their contracts. Our remaining colleagues moved quickly to remote working.

As the business embraced technology to assist in remote working and continued candidate and client interaction, trading continued uninterrupted as staff seamlessly adapted to the new working environment.

This not only highlights the agility of the Norman Broadbent team, but also evidences the strength of our 40-year old brand and how the Group's more diverse portfolio of services are particularly relevant in today's markets. Building on those strengths and our investment in digital marketing, both Interim and Solutions have seen continued business opportunities from existing and new clients.

CEO's Review

continued

With a slowdown in the market (particularly in Search) there has been some reduction in revenues to date. These however have been offset by the sensible and prudent cost measures taken. Additional emphasis has been placed on cash collections and we have subsequently seen a reduction in debtor days during 2020. This, combined with modest positive EBITDA in March, April, and May, helped protect cashflow and the Group's cash position.

Prior to lockdown, the Group successfully relocated its London office to Millbank Tower, SW1 while also opening new operations in the North of England. A full risk assessment of the Group's office accommodation has now taken place and, while those staff looking to restart office-based working can return to a compliant and safe working environment, we anticipate operating flexibility (office and working from home) for some time.

Arrangements for AGM

The AGM will take place on July 28th, 2020 at 10 AM. In light of Covid-19, shareholder attendance at the meeting will be primarily via Zoom conferencing software. Shareholders attending via Zoom who wish to vote on the AGM's resolutions will need to do so by proxy. Full details on how to gain access to the meeting and vote by proxy are provided in the notes to the notice of Annual General Meeting set out on page 56.

Board changes

Steve Smith joined the Company and the Board as CFO and COO on 30 March 2020 replacing Will Gerrand who has left the Group. The Board would like to thank Will for his contributions over the past two and a half years and we wish him well for the future. Steve, along with our senior leadership team, has already proven exceptional in helping us deal with the challenges presented by Covid-19.

There is currently a process underway to recruit and appoint a new Non-Executive Chair to the board. Brian Stephens is due to retire from the Board by rotation. Brian has indicated that, while he will be offering himself for re-election at the upcoming AGM, having been a Director for 10 years, he is intending to stand down from the Board following a period of hand over to the new Non-Executive Chair.

Outlook

Having posted a positive set of 2019 Group results, we came into 2020 with good momentum and plans for further growth. We opened a new office in the North of England, relocated to better Central London offices, and were actively seeking to appoint additional team members in both centres. Then, we, like many businesses, have been impacted by the Covid-19 pandemic.

While the likely duration and overall severity of Covid-19's economic impact is not yet known, we assume it will take some time for the overall UK search and recruitment market to recover. Accordingly, it is too early to have a definitive view on its ultimate impact on the outcome for the year to December 2020.

Notwithstanding that, the early and decisive actions taken by us, combined with our broader portfolio of services, leaves us better placed to respond to these challenges than many. Similarly, our collaborative and innovative culture will stand us in good stead when compared to more traditional and siloed competitors.

I and the Board would like to thank our shareholders for their continuing support, and our clients for placing their trust in us. I would also like to pay tribute to our team who have made considerable sacrifices during the Covid-19 crisis. It is an honour to be their CEO, and I am proud of their achievements, much of which is down to their hard work, dedication, and commitment.

Mike Brennan
Group Chief Executive

26 June 2020

Strategic Report

for the year ended 31 December 2019

The business model

The Norman Broadbent Group is a leading Professional Services firm focussing on Talent Acquisition & Advisory Services. Since our formation nearly 40 years ago we have developed a range of complementary services consisting of Board & Leadership Search, Senior Interim Management, Research & Insight, Leadership Consulting, and Solutions. With a range of services designed to meet customer needs at different stages in their growth or the economic cycle, our innovative and flexible approach enables us to help clients in a creative and bespoke way. By operating within sector 'hubs' as opposed to siloed service lines, we are able to service clients better and more collaboratively. As a result of this collaboration, c.23% of 2019 NFI was generated via internal cross-referrals.

Strategy and objectives

The Group's strategy is to further develop, strengthen and scale our complementary portfolio of Talent Acquisition & Advisory services. This could be achieved via further selective hires, new partnerships and greater innovation. Ultimately our aim is to help clients make better informed, more effective buying decisions to ensure successful outcomes.

Results for the financial year

Group revenue from continued operations increased in the year by 22% to £11,486,000 (2018: £9,414,000), with gross profit of £7,607,000 (2018: £6,644,000). NBES NFI decreased by 11% to £3,326,000 (2018: £3,725,000) off the back of lower headcount. NFI from NBLC, NBS and NBIM was £4,281,000 (2018: £2,919,000), reflecting the significant development of NBI and NBS during 2019.

Operating expenditure increased to £7,462,000 (2018: £7,308,000), reflecting the increased sales related bonuses payable in relation to 2019.

The Group reported an operating profit from continued operations in 2019 of £145,000 (2018: operating loss £664,000) and a retained profit of £84,000 (2018: retained loss £741,000).

Cash flow and balance sheet

Net cash outflow from operations in 2019 was £182,000 (2018: net cash inflow from operations £354,000). Net trade receivables at the year-end were £2,733,000 (2018: £2,076,000).

Net cash inflow from financing activities was £21,000 (2018: net cash outflow of £103,000). At 31 December 2019, the Group had £950,000 (2018: £776,000) of funds drawn down against the revolving invoice discounting facility against UK trade receivables of £2,733,000 (2018: £2,076,000).

Earnings per share

The retained profit for 2019 has resulted in a reported profit per share of 0.04 pence (2018: loss per share 1.42 pence). After adding back the cost of share based payments, the adjusted profit per share was 0.06 pence (2018: loss per share 1.38 pence).

Going concern

In light of the current financial position of the Group and on consideration of the business' forecasts and projections, taking account of possible changes in trading performance, the Directors have a reasonable expectation that the Group has adequate available resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing their annual report and financial statements.

Directors' duties

The Directors of the Company, as those of all UK companies must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A Director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, clients and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between shareholders of the Company.'

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, from the Company Secretary, Nomad, or if they judge it necessary, from an independent advisor. The following paragraphs summarise how the Directors' fulfil their duties:

Monitoring, risk and KPIs

The Directors have a responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks. Board meetings incorporate, amongst other agenda items, a review of monthly management accounts, operational and financial KPIs and major issues and risks facing the business.

The most important KPIs used in monitoring the business are set out in the following table:

Key performance indicators	2019	2018
Revenue (continued operations)	£11,486,000	£9,414,000
Operating profit/(loss)	£145,000	(£664,000)
Debtor days	72 days	61 days

The Directors monitor revenue against annual targets, which are adjusted each year to ensure the Group remains on target to achieve its strategic growth plan. Further, given the significant restructuring and refocus of the group in the recent past, the Directors expect Group revenues and operating profits to improve over the next few years.

The principal risks faced by the Group in the current economic climate are considered to be financial, business environment and people related.

Financial

The main financial risks arising from the Group's operations are the adequacy of working capital, interest rate, liquidity and credit risk. These are monitored regularly by the Board and are disclosed further in notes 2 and 17 of the financial statements.

The business is in the later stages of the turnaround process and is budgeted to be self-funding. In turnarounds there is always a risk that the process could take longer than anticipated which could lead to short term working capital pressures. In the event of such an occurrence the Company anticipates working closely with its supportive shareholders to access short term working capital funding.

Strategic Report
continued

Business environment
Demand for services is affected by global and UK specific economic conditions and the level of economic activity in the regions and industries in which the Group operates. When conditions in the economy deteriorate or economic activity slows, many companies hire fewer permanent employees or rely on internal human resource departments to recruit staff.

The Group attempts to mitigate this risk by operating across various diverse sectors where demand for such services is stronger.

Covid-19 pandemic
On 23 March 2020 the UK economy was placed in a state of lockdown as part of the Government's response to the emerging pandemic. The Group has reacted by making staffing changes with a small number of individuals furloughed or released from their contracts with the remaining team members moving to remote working. As the lockdown is lifted, the Group's offices have reopened with the majority of staff continuing to work remotely.

Despite reduced revenue as a result of the crisis, trading in March, April and May has been EBITDA positive reflecting the action taken by management. The Board anticipates, market conditions permitting, a staged return of furloughed employees during 2020.

However if the impact of the pandemic were to lead to further reductions in the size of the UK recruitment and search markets or continue over an extended period with reductions in or the removal of the government support measures this could have an adverse impact on the group's trading and liquidity.

The Group anticipates that the Government's support measures are likely to continue and that schemes such as the Coronavirus Business Interruption Loan Scheme (CBILS) packages (currently unavailable to the Group) may see a change in criteria.

People
The Group's most vital resource remains its employees and the Directors remain committed to retaining and recruiting quality staff who share the Group's culture and values. In a people intensive business, the resignation of key staff, which could lead to them taking clients, candidates and colleagues to another employer, is a significant risk. The Group aims to mitigate this risk by offering competitive remuneration structures, whilst also insisting on employment contracts that contain restrictive covenants that limit a leaver's ability to approach existing clients, candidates and employees.

Cautionary statement
The Group's Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006. The Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Norman Broadbent plc and its subsidiary undertakings when viewed as a whole.

Mike Brennan
Director

26 June 2020

Steve Smith
Director

26 June 2020

Group Directors' Report

for the year ended 31 December 2019

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

General information

Norman Broadbent plc ('the Company') and its subsidiaries (together 'the Group') is a leading Professional Services firm with a specific focus on Talent Acquisition & Advisory Services. The Company is a public listed company incorporated in England and Wales. Its registered address is Millbank Tower, 21-24 Millbank, London SW1P 4QP and its listing is on the AIM Market of the London Stock Exchange.

Review of developments and future prospects

The CEO's Review on pages 4 to 6 reviews the activities of the Group including updates on recent and future developments and a full business review can be found in the Strategic Report on page 7 to 9.

Results and dividends

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Comprehensive Income.

The Directors do not recommend payment of any dividends (2018: £Nil).

Profit after tax for the year amounted to £84,000 including non-controlling interests (2018: loss after tax of £741,000).

Directors

The Directors who served during the year are as follows:

Mike Brennan
Will Gerrand (resigned 11 April 2020)
Fiona McAnena
Brian Stephens

The Directors interests in the shares of the Company are shown in the Directors' Remuneration Report on pages 14 to 16.

Substantial share interests

As at 16 June 2020, the Company had been notified of the following significant interests in its issued share capital:

	Ordinary shares of 1.0p each	**%**
Downing LLP	14,676,297	27.24%
Ennismore Fund Management Ltd	9,646,742	17.90%
Moulton Goodies Ltd	9,366,739	17.38%
P Casey	6,787,505	12.60%
Premier Miton Group Plc	4,131,578	7.67%

As far as the Directors are aware, no other entities or individuals held 3% or more of the shares in issue.

Group Directors' Report

continued

Employee involvement

The Group has well established communications and consultation procedures with all employees. These continually evolve to meet the changing needs of the business and are considered valuable by both management and staff.

Employment of disabled persons

It is the Group's policy to give a full and fair consideration to the employment and promotion of disabled persons where they appear suitable, having regard to their particular aptitudes and abilities. Where existing employees become disabled it is the Group's policy to find them alternative suitable employment within the Group where possible.

Risks and uncertainties

Please refer to the Strategic Report on page 7.

Key performance indicators

Please refer to the Strategic Report on page 7.

Subsequent events

On 23 March 2020 the UK economy was placed in a state of lock down as part of the Government's response to the emerging Covid -19 pandemic. The Group reacted by making staffing changes with a small number of individuals furloughed or released from their contracts with the remaining team members moving to remote working. As the lock down is lifted, the Group's offices have reopened with the majority of staff continuing to work remotely.

Despite reduced revenue as a result of the crisis, trading in March, April and May has been EBITDA positive reflecting the action taken by management.

Please refer to the Strategic Report on page 9 for further information on the risks and uncertainties associated with the Covid – 19 crisis.

Diversity policy

The Group is committed to promoting equal opportunities both as an employer and as a provider of services. The Group makes every effort to prevent discrimination or other unfair treatment against any of its staff, potential staff or users of its services, regardless of gender, race, colour, nationality, ethnic or national origins, marital status, family circumstances, disability, sexual orientation, political or religious belief. The Group is opposed to racist and sexist practices and attitudes and is committed to translating this into all aspects of its everyday work.

Group Directors' Report

continued

Statement of directors' responsibilities

Each of the Directors at the date of approval of this report confirms:

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 prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Statement of disclosure to auditor

(a) Each of the Directors at the date of approval of this report confirms there is no relevant information of which the Group's auditors are unaware; and

(b) The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

Kreston Reeves LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them is being proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

Mike Brennan
Director

26 June 2020

Corporate Governance

for the year ended 31 December 2019

The Company is quoted on the Alternative Investment Market ('AIM') and is therefore not required to comply with the provisions of UK Corporate Governance Code. However, from the 28th of September 2018, under AIM rule 26, the Company has adopted as far as possible the principles of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long-term shareholder value, encompassing an efficient, effective and dynamic management framework accompanied by good communication to promote confidence and trust. Set out below is a summary of how, at 31 December 2019, the Company was complying with the key requirements of the QCA code.

Board committees

The Audit Committee consists of the Non-Executive directors and meets as required.

The Remuneration Committee consists of the Non-Executive Directors. B Stephens chairs the committee. The remuneration of the Non-Executive Directors is determined by the Board. At present the committee annually reviews the level of Directors' and other senior employees' remuneration packages. Disclosure of Directors' remuneration is provided in the Directors' Remuneration Report.

The AIM Compliance Committee consists of all Directors. In accordance with AIM Rule 31 the Group is required to have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules; seek advice from its nominated adviser ("Nomad") regarding its compliance with the AIM Rules whenever appropriate and take that advice into account; provide the Group's Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers; ensure that each of the Group's Directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and ensure that each Director discloses without delay all information which the Group needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the Director. Having reviewed relevant Board papers and met with the Group's Executive Board and the Nomad to ensure that such is the case, the AIM Committee is satisfied that the Group's obligations under AIM Rule 31 have been satisfied during the period under review.

Internal controls and risk management

The Directors acknowledge their responsibility for the Group's system of internal control of which the objectives are:

(a) Safeguarding the Group's assets.

(b) Ensuring proper accounting records are maintained.

(c) Ensuring that the financial information used within the business and for publication is reliable.

The key procedures that have operated during the financial year are set out below:

(a) The Board meets regularly to review all aspects of the Group's performance concentrating mainly on financial performance, business risks and development.

(b) A number of matters are reserved for the Board's specific approval including major capital expenditure, banking and dividend policy.

In establishing the systems of internal control, the Directors have implemented a control environment, risk management procedures and reporting processes appropriate to the size of the Group. The system of internal control is designed to manage rather than eliminate risk. Further procedures will continue to be adopted in respect of all the Group's activities to further improve financial control. Trading and cash flows can be unpredictable. However, after making appropriate enquiries the Directors have formed a judgement that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Remuneration Report

for the year ended 31 December 2019

The Remuneration Committee was established to keep under review the remuneration and terms of employment of Executive Directors and to recommend such remuneration and terms and changes thereof to the Board. The Remuneration Committee's composition, responsibilities and operation comply with UK Corporate Governance Code. In forming its remuneration policy, the Remuneration Committee confirms that it has complied with UK Corporate Governance Code.

An explanation of how the Company has applied the principles and the extent to which the provisions in the Code have been complied with appears below.

Unaudited information

Under the Company's Articles of Association, the Board may delegate any of its powers, authorities and discretions to a sub-committee of the Board.

The Remuneration Committee comprises of the two Non-Executive Directors. The Remuneration Committee is formally constituted with written terms of reference. No individual Director participates when his own remuneration is under consideration.

In formulating its remuneration policy, the Remuneration Committee has given full consideration to the relevant sections of UK Corporate Governance Code issued by the Committee on Corporate Governance. There follows the full text of the Remuneration Report for the year ended 31 December 2019 which has been approved and adopted by the Board of Directors for submission to the shareholders.

Composition

Brian Stephens chairs the Remuneration Committee, and Fiona McAnena is the second member. Frank Carter served as a member prior to his resignation in September 2018.

Policy for Executive Directors

To attract, motivate and retain high calibre executives by rewarding them with appropriate salary, bonus scheme, benefits and share option packages.

(a) **Salary**
Salaries are reviewed annually, and the Remuneration Committee takes account of similar companies in its industry by reference to published information for similar jobs as well as individual performance.

(b) **Bonus**
The Company operates a discretionary bonus scheme for Executive Directors. The scheme is based on achieving agreed levels of profitability within the part of the Group they are directly involved with. Bonus payments are non-pensionable.

(c) **Benefits**
When appropriate, Executives are provided with medical insurance and life assurance.

(d) **Pension**
The Company's defined contribution pension scheme is available to all Executive Directors.

(e) **Share Options**
The Chief Executive Officer and the former Chief Financial Officer held share options.

(f) **Service Contracts**
All Executive Directors are employed on rolling contracts subject to between three and nine-months' notice from either the executive or the Group. The Remuneration Committee reviews each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances, taking care to ensure that poor performance is not rewarded.

Directors' Remuneration Report

continued

Policy for Non-Executive Directors

The Board is responsible for determining the fees payable to Non-Executive Directors. The Executive Directors seek to advise the Board on the level of fees based on external evidence of fees paid to Non-Executive Directors of similar companies.

Directors' Interest in Contracts

Brian Stephens & Company Ltd provided the services of B Stephens to the Company. B Stephens is a Director of Brian Stephens & Company Ltd. There were no other contracts subsisting at the end of the year in which a director of the Company was materially interested.

Directors' Interest in Shares and Share Options

Details of the interests of those Directors that held office during the period, all of which are beneficial, in the shares of Norman Broadbent plc on the dates specified are as follows:

(a) **Ordinary Shares**

	31 December 2019		**31 December 2018**	
	Ordinary Shares of 1.0p each	**%**	**Ordinary Shares of 1.0p each**	**%**
Mike Brennan	**1,095,481**	**1.70**	928,815	1.70
Frank Carter	**n/a**	**n/a**	207,894	0.39
Brian Stephens[1]	**334,621**	**0.62**	167,955	0.31
Will Gerrand	**66,667**	**0.12**	–	–
Fiona McAnena	**63,333**	**0.11**	–	–

Notes

[1] All of B Stephens shares are held in the name of Davycrest Nominees Limited

(b) **Share Options:**

	31 December 2019		**31 December 2018**	
	Share Options Ordinary Share of 1.0p Each	**% Diluted**	**Share Options Ordinary Share of 1.0p Each**	**% Diluted**
Mike Brennan	**1,851,852**	**3.22**	1,851,852	3.22
Will Gerrand	**1,054,191**	**1.84**	1,054,191	1.84

Directors' Remuneration Report

continued

Audited information:

Directors' Emoluments

The emoluments of the Directors of the Company for the year ended 31 December 2019 were as follows:

	Salary and fees £000	Bonus £000	Benefits £000	Pensions £000	Total 2019 £000	Total 2018 £000
Executive Directors						
Mike Brennan	185	80	2	25	292	212
Will Gerrand	140	30	–	1	171	141
Total	**325**	**110**	**2**	**26**	**463**	**353**
Non-Executive Directors						
Frank Carter	–	–	–	–	–	25
Fiona McAnena	20	–	–	–	20	5
Brian Stephens	20	–	–	–	20	20
Total	**40**	**–**	**–**	**–**	**40**	**50**

* Note: Mike Brennan has elected to defer 50% of his £80,000 2019 bonus in light of the Covid-19 crisis. In addition, Mike Brennan has taken a temporary 30% voluntary reduction on his 2020 salary, Fiona McAnena and Brian Stephens have taken a temporary 40% voluntary reduction in their 2020 fees and Steve Smith has taken a voluntary 20% reduction on his 2020 salary.

Brian Stephens
Chairman of the Remuneration Committee

26 June 2020

Independent Auditors' Report

to the shareholders of Norman Broadbent plc

Opinion

We have audited the financial statements of Norman Broadbent plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company statements of cash flow 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union; 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 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 as applied to SME listed entities, 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's 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.

Emphasis of Matter

Uncertainties related to the effects of Covid-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of goodwill, investments, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Covid-19 is one of the most significant economic events for the UK, and at the date of this report its effect are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factor for a Group and this is particularly the case in relation to Covid-19.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group, any of its subsidiaries or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could 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 Group's business model, including the impact of Covid-19, and analysed how those risks might affect the Group'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 Group will continue in operation.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We performed a full scope audit on five components of the business representing 100% of the Group's revenue, 100% of the Group's profit before tax and 63% of the Group's net assets.

Our audit approach is consistent with the previous year.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THIS MATTER
Going concern The Group reported an operating profit from continued operations in the year to 31 December 2019 of £0.1m compared with an operating loss of £0.7m in 2018. The Consolidated Statement of Financial Position shows a net asset position at 31 December 2019 of £1.4m (2018: £1.3m) with cash at bank of £0.4m (2018: £0.7m). At the date that these financial statements were approved the Group had no overdraft facility and the only borrowings were its receivable finance (Bibby Invoicing) which is 100% secured by the Group's trade receivables. In light of the historic loss making position of the Group, the uncertain economic climate due to Covid-19 and the potential liquidity issues that could arise without on-going external finance going concern has been considered a focus area.	We have reviewed the Group's results and financial position and have assessed the ability of the Group to meet its future financial obligations based upon its available resources. We have obtained and interrogated management prepared forecasts running to the end of December 2022 which support management's assessment of the Group's ability to continue as a going concern. This included analysing the reasonableness of assumptions used and narrative provided by management, including their summary of the impact that Covid-19 has had on the Group and what actions they have taken to mitigate this. We also compared previously prepared forecasts to actual results for the last three years to gain assurance over the ability of management to prepare accurate and reliable forecasts. Further discussion with management was undertaken in order to gain an understanding of their plans for the financing of the Group and availability of further support from the Group's major shareholders. Based upon the audit work we have performed we have been able to reach our conclusions relating to going concern included in this report.
Valuation of investments Included within the parent company accounts is an amount of £1.6m (2018: £1.6m) within fixed asset investments representing the cost less provision for any impairment in value of the Group subsidiaries. Investments are tested annually by management for impairment which requires the use of estimation techniques which may have a high degree of inherent uncertainty. We have focused on this area due to the value of the investments in the parent company accounts, and the fact that there was judgment involved in determining whether any provision for impairment was required.	A breakdown of the investments by company was obtained and agreed to the nominal ledger including statutory information. A comparison of the investment amount and the net assets figure of each company was undertaken to build an assessment of potentially required provisions. The directors provided a report on the valuation of each investment, taking into account forecasts for a period of 5 years up to December 2024, looking at the expected profitability of each subsidiary along with any potential impairment. Sensitivity analysis was undertaken on the forecasts to stress test different levels of revenue drop. Past budgets and forecasts were compared to actual results to gain assurance over the ability of management to prepare accurate and reliable forecasts. No issues arose from our work to suggest that the valuation of investments was materially misstated.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THIS MATTER
Impairment of goodwill Goodwill arose on the acquisition of subsidiaries and is included within the consolidated statement of financial position at cost less impairment. There is historical capitalised goodwill on the balance sheet totalling £1.4m (2018: £1.4m) in relation to the brand name and client loyalty. We have focused on this area due to the value of the goodwill in the consolidated accounts, and the fact that there was judgment involved in determining its value and whether any provision for impairment was required.	A breakdown of the goodwill was obtained and agreed to the nominal ledger and expectations. The directors provided a report on the impairment of goodwill taking into account forecasts for a period of 5 years up to December 2024, looking at the profitability along with any potential impairment. Sensitivity analysis was undertaken on the forecasts to stress test different levels of revenue drop. Prior budgets and forecasts were compared to actual results to gain assurance over the ability of management to prepare accurate and reliable forecasts. The assumptions applied to generate the 5 year forecasts up to December 2024 were reviewed to help determine their accuracy. A calculation of the net present value of the future cash flows was undertaken to support the carrying value of goodwill within the financial statements. This calculation was compared to industry averages and key competitors' expected growth rates. Further discussion with management was undertaken in line with these results which also addressed the financing of the Group and continued support available to the Group from its major shareholders. No issues arose from our work to suggest that valuation of goodwill was materially misstated.
Revenue recognition The Group has four main sources of revenue: (A) Executive search placement fees, generated through high level executive search recruitment services, the positions generally being at senior management level. (B) Interim management placement fees, generated through placing members into Board positions for short periods of time. (C) Leadership and consulting fees, generated through consultative services in relation to recruitment. (D) Solutions placement fees, generated through slightly less complex searches to fill slightly less senior roles. We have focused on this area as revenue is a key driver of the Group's performance and represents a higher risk area for potential fraud.	We discussed the revenue recognition policies with management and independently with sales staff clarifying any discrepancies and specifically looking through contracts in progress and cash receipts compared to the timing of revenue recognised. We have also performed walkthrough tests to understand the revenue recognition processes in place for all types of income. To test revenue transactions during the year, we undertook directional testing selecting the sample from the sales pipeline for the year and tracing from assignment number through to the financial statements. Analytical review of sales has been performed via a comparison to both 2018 and 2019 performance with any unusual discrepancies queried. Cut off testing was also performed around the year end to ensure revenue was being recorded in the correct period. No issues arose from our work to suggest that revenue recognition was materially misstated. The Group continues to comply with IFRS 15.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THIS MATTER
Recoverability of intercompany debtors The parent company was owed £5.3m (2018: £5.1m) by other Group companies. Amounts are initially recognised at fair value and subsequently measured at amortised cost less any necessary provision for impairment. We have focused on this area due to the material value of intercompany debtors' receivable due to the parent company and the recoverability concerns given certain Group companies have been incurring losses.	A breakdown of intercompany balances due by company was obtained and agreed to the nominal ledger. A comparison of the debtor amount and the historical profitability/net assets figure of each company was undertaken to build an assessment of potentially required provisions. Reports prepared by directors in relation to going concern and subsidiary investment valuation including the 5 year forecasts up to December 2024 were reviewed. Sensitivity analysis was undertaken on the forecasts to stress test different levels of revenue drop. Prior budgets and forecasts were compared to actual results to gain assurance over the ability of management to prepare accurate and reliable forecasts. These forecasts have been used to substantiate recoverability of amounts owed by Group companies. No issues arose from our work to suggest that intercompany debtors owed to parent company were materially misstated.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

We determined there to be five entities in scope for our Group audit, Norman Broadbent PLC is the parent entity holding investments throughout the Group with Norman Broadbent Executive Search, Norman Broadbent Interim Management, Norman Broadbent Consulting and Norman Broadbent Solutions representing the trading activities for the Group.

Our application of materiality

We determined materiality for the Group to be £115,000. We reported all audit differences found in excess of performance materiality of £80,000 to the directors and the management board.

For each Group company within the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across each Group company was between £105,000 and £6,000.

We determined Group materiality to be £115,000 based on a calculation of 1% of Group revenue for the year, Group result for the year being considered the key determinant of Group performance. The Group's parent company is AIM listed and therefore the number of users and the level of interest in the financial statements is expected to be higher than a non-quoted company. Therefore, the significance of balances is expected to be greater and consequently 1% of Group turnover has been assessed as the most appropriate basis for materiality.

We determined component materiality for the parent company to be 2% of gross assets and for each of the trading Group companies 2% of turnover based upon each Group company's activities and risk profile, limited to 90% of Group materiality.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc 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 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 Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Samantha Rouse FCCA DChA (Senior Statutory Auditor)
For and on behalf of Kreston Reeves LLP,
Statutory Auditors and Chartered Accountants
London

26 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

Continuing operations	Note	2019 £000	2018 £000
Revenue	1	**11,486**	9,414
Cost of sales		**(3,879)**	(2,770)
Gross profit	3	**7,607**	6,644
Operating expenses		**(7,462)**	(7,308)
Operating profit/(loss) from continued operations		**145**	(664)
Net finance cost	7	**(61)**	(77)
Profit/(loss) on ordinary activities before income tax	4	**84**	(741)
Income tax expense	6	**–**	–
Profit/(loss) from continuing operations		**84**	(741)
Profit/(loss) for the period		**84**	(741)
Total comprehensive income/(loss) for the year		**84**	(741)
Profit attributable to:			
– Owners of the Company		**22**	(763)
– Non-controlling interests		**62**	22
Profit/(loss) for the year		**84**	(741)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**22**	(763)
– Non-controlling interests		**62**	22
		84	(741)
Total comprehensive income/(loss) for the year			
Profit/(loss) per share			
– Basic	8	**0.04p**	(1.42)p
– Diluted		**0.04p**	(1.42)p
Adjusted profit/(loss) per share			
– Basic	8	**0.06p**	(1.38)p
– Diluted		**0.06p**	(1.38)p
Profit/(loss) per share – continuing operations			
– Basic	8	**0.04p**	(1.42)p
– Diluted		**0.04p**	(1.42)p

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	10	**1,363**	1,363
Property, plant and equipment	11	**87**	155
Prepayments and accrued income	13	**65**	135
Deferred tax assets	6	**69**	69
Total non-current assets		**1,584**	1,722
Current Assets			
Trade and other receivables	13	**2,948**	2,175
Cash and cash equivalents	14	**432**	684
Total current assets		**3,380**	2,859
Total assets		**4,964**	4,581
Current Liabilities			
Trade and other payables	15	**2,315**	2,025
Loan notes	16	**119**	272
Bank overdraft and interest bearing loans	16	**950**	776
Provisions	21	**215**	240
Corporation tax liability		**–**	–
Total current liabilities		**3,599**	3,313
Net current liabilites		**(219)**	(454)
Total liabilities		**3,599**	3,313
Total assets less total liabilities		**1,365**	1,268
Equity			
Issued share capital	18	**6,266**	6,266
Share premium account	18	**13,706**	13,706
Retained earnings		**(18,632)**	(18,667)
Equity attributable to owners of the company		**1,340**	1,305
Non-controlling interests		**25**	(37)
Total equity		**1,365**	1,268

These financial statements were approved by the Board of Directors on 26 June 2020.

Signed on behalf of the Board of Directors

M Brennan
Director

S Smith
Director

Company No 00318267

The accompanying notes form an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Investments	12	**1,643**	1,643
Prepayments and accrued income	13	**65**	135
Total non-current assets		**1,708**	1,778
Current Assets			
Trade and other receivables	13	**5,391**	5,123
Cash and cash equivalents	14	**14**	280
Total current assets		**5,405**	5,403
Total assets		**7,113**	7,181
Current Liabilities			
Loan notes	16	**119**	272
Trade and other payables	15	**1,646**	1,562
Total current liabilities		**1,765**	1,834
Net current assets		**3,640**	3,569
Total liabilities		**1,765**	1,834
Total assets less total liabilities		**5,348**	5,347
Equity			
Issued share capital	18	**6,266**	6,266
Share premium account	18	**13,706**	13,706
Retained earnings		**(14,624)**	(14,625)
Total equity		**5,348**	5,347

These financial statements were approved by the Board of Directors on 26 June 2020.

Signed on behalf of the Board of Directors

M Brennan
Director

S Smith
Director

Company No 00318267

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000	Non-controlling interests £000	Total equity £000
Balance at 1st January 2018	**6,266**	**13,706**	**(17,923)**	**2,049**	**(59)**	**1,990**
Loss for the year	–	–	(763)	(763)	22	(741)
Total comprehensive income for the year			**(763)**	**(763)**	**(22)**	**(741)**
Transactions with owners of the Company, recognised directly in equity:						
Issue of ordinary shares	–	–	–	–	–	–
Credit to equity for share based payments	–	–	19	19	–	19
Total transactions with owners of the Company, recognised directly in equity	–	–	19	19	–	19
Total transactions with owners of the Company	**–**	**–**	**19**	**19**	**–**	**19**
Balance at 31st December 2018	**6,266**	**13,706**	**(18,667)**	**1,305**	**(37)**	**1,268**
Balance at 1st January 2019	**6,266**	**13,706**	**(18,667)**	**1,305**	**(37)**	**1,268**
Profit for the year			22	22	62	84
Total comprehensive income for the year			**22**	**22**	**62**	**84**
Transactions with owners of the Company, recognised directly in equity:						
Issue of ordinary shares	–	–	–	–	–	–
Credit to equity for share based payments			13	13		13
Total transactions with owners of the Company, recognised directly in equity	**–**	**–**	**13**	**13**	**–**	**13**
Total transaction with owners of the Company	**–**	**–**	**13**	**13**	**–**	**13**
Balance at 31st December 2019	**6,266**	**13,706**	**(18,632)**	**1,340**	**25**	**1,365**

Share Capital

This represents the nominal value of shares that have been issued by the Company.

Share Premium

This reserve records the amount above the nominal value received for shares issued by the Company. Share premium may only be utilised to write-off any expenses incurred or commissions paid on the issue of those shares, or to pay up new shares to be allotted to members as fully paid bonus shares.

Retained Earnings

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the Company's shareholders.

The accompanying notes form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2019

	Attributable to owners of the Company			
	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1st January 2018	6,266	13,706	(14,039)	5,933
Loss for the year	–	–	(605)	(605)
Total comprehensive income for the year	**–**	**–**	**(605)**	**(605)**
Transactions with owners of the Company, recognised directly in equity:				
Credit to equity for share based payments			19	19
Issue of ordinary shares			–	–
Balance at 31st December 2018	6,266	13,706	(14,625)	5,347
Balance at 1st January 2019				
Loss for the year			(12)	(12)
Total comprehensive income for the year			(12)	(12)
Transactions with owners of the Company, recognised directly in equity:				
Credit to equity for share based payments	–	–	13	13
Issue of ordinary shares	–	–	–	–
Balance at 31st December 2019	6,266	13,706	(14,624)	5,348

Share Capital

This represents the nominal value of shares that have been issued by the Company.

Share Premium

This reserve records the amount above the nominal value received for shares issued by the Company. Share premium may only be utilised to write-off any expenses incurred, or commissions paid on the issue of those shares, or to pay up new shares to be allotted to members as fully paid bonus shares.

Retained Earnings

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the Company's shareholders.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flow

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Net cash used in operating activities	(i)	**(182)**	354
Cash flows from investing activities and servicing of finance			
Net finance cost		**(61)**	(77)
Payments to acquire tangible fixed assets	11	**(30)**	(168)
Net cash used in investing activities		**(91)**	(245)
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings	16	**(153)**	(28)
Net cash inflows from equity placing	18	**–**	–
Increase/(Repayment) in invoice discounting	16	**174**	(75)
Net cash from financing activities		**21**	(103)
Net (decrease)/increase in cash and cash equivalents		**(252)**	6
Net cash and cash equivalents at beginning of period		**684**	678
Effects of exchange rate changes on cash balances held in foreign currencies		**–**	–
Net cash and cash equivalents at end of period		**432**	684
Analysis of net funds			
Cash and cash equivalents		**432**	684
Borrowings due within one year		**(1,069)**	(1,048)
Borrowings due within more than one year		**–**	–
(Net debt)/cash	(ii)	**(637)**	(364)

Note (i)

Reconciliation of operating profit/(loss) to net cash from operating activities	2019 £000	2018 £000
Operating profit/(loss) from continued operations	**145**	(664)
Depreciation/impairment of property, plant and equipment	**93**	60
Share based payment charge	**13**	19
Fixed Asset Write Off	**5**	–
Decrease/(Increase) in trade and other receivables	**(703)**	(22)
(Decrease)/Increase in trade and other payables	**290**	846
(Decrease)/Increase Provisions	**(25)**	115
Taxation paid	**–**	–
Net cash generated from operating activities	**(182)**	354

Note (ii)

Reconciliation of movement of debt	2019 £000	2018 £000
Net (decrease)/increase in cash and cash equivalents	**(252)**	6
New Borrowings	**–**	–
Repayment of Borrowings	**153**	28
(Increase)/Repayment in invoice discounting	**(174)**	75
Exchange difference on cash and cash equivalents	**–**	–
Movement in Borrowings for the Period	**(273)**	109
Net Borrowings at the Start of the Period	**(364)**	(473)
Net Borrowings at the end of the Period	**(637)**	(364)

The accompanying notes form an integral part of these financial statements.

Company Statement of Cash Flow

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Net cash used in operating activities	(i)	**(93)**	(244)
Cash flows from investing activities and servicing of finance			
Interest paid		**(20)**	(36)
Net cash used in investing activities		**(20)**	(36)
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings	16	**(153)**	(28)
Net cash inflows from equity placing	18	**–**	–
Net cash from financing activities		**(153)**	(28)
Net (decrease) in cash and cash equivalents		**(266)**	(308)
Net cash and cash equivalents at beginning of period		**280**	588
Net cash and cash equivalents at end of period		**14**	280
Analysis of net funds			
Cash and cash equivalents		**14**	280
Borrowings due within one year		**(119)**	(272)
Net funds	(ii)	**(105)**	8

Note (i)

Reconciliation of operating profit/(loss) to net cash from operating activities	2019 £000	2018 £000
Operating profit/(loss)	**8**	(569)
Share based payment charge	**13**	19
Decrease/(Increase) in trade and other receivables	**(198)**	374
(Decrease)/Increase in trade and other payables	**84**	(68)
Net cash used operating activities	**(93)**	(244)

Note (ii)

Reconciliation of movement of debt	2019 £000	2018 £000
Net (decrease)/increase in cash and cash equivalents	**(266)**	(308)
New Borrowings	**–**	–
Repayment of Borrowings	**153**	28
Movement in Borrowings for the Period	**(113)**	(280)
Net Borrowings at the Start of the Period	**8**	288
Net Borrowings at the end of the Period	**(105)**	8

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2019

1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of Norman Broadbent plc ("Norman Broadbent","the Company" or "the Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The consolidated financial statements are presented in pounds and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.21.

1.1.1 Going concern

The Group reported an operating profit from continued operations in the year to 31 December 2019 of £0.1m compared with an operating loss of £0.7m in 2018.

The Consolidated Statement of Financial Position shows a net asset position at 31 December 2019 of £1.4m (2018: £1.3m) with cash at bank of £0.4m (2018: £0.7m). At the date that these financial statements were approved the Group had no overdraft facility, and secured loan notes of £0.1m and its receivable finance (Bibby Financial Services) which is 100% secured by the Group's trade receivables.

Early 2020 saw the outbreak of the Covid-19 pandemic. This has already resulted in significant global economic disruption and as the pandemic develops this disruption will continue over the months to come.

In light of the current financial position of the Group and on consideration of the business' forecasts and projections which have taken account of the impact of Covid-19 and of possible changes in trading performance, the Directors have a reasonable expectation that the Group has adequate available resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing their annual report and financial statements.

1.1.2 Changes in accounting policy and disclosures

(a) **New standards, interpretations and amendments effective**

The following have been applied for the first time from 1 January 2019 but did not have a material impact on the financial statements:

- IFRS 3 (amendment) Business Combinations
- IFRS 9 (amendment) Financial Instruments
- IFRS 11 (amendment) Joint Arrangements
- IFRS16 – Leases
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments

Notes to the Financial Statements

continued

1. Significant Accounting Policies continued

1.1.2 Changes in accounting policy and disclosures continued

(b) **Standards, amendments and interpretations to existing standards that are not yet effective**

The following newly issued but not yet effective standards, interpretations and amendments, Mandatory for accounting periods commencing on or after 1 January 2020:

- IFRS 3 (amendment) Business Combinations
- IFRS 7 (amendment) Financial Instruments
- IFRS 17 – Insurance Contracts
- IAS 1 – Presentation of Financial Statements
- IAS 8 (amendments) – Accounting Policies, Changing in Accounting Estimates and Errors

Under the IFRS 17, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk.

The Directors do not expect that the adoption of the Standards and amendments listed above will have a material impact on the financial statements of the Company in future periods. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these Standards until a detailed review has been completed.

1.2 Basis of consolidation and business combinations

1.2.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The subsidiaries financial statements were not prepared under IFRS but adjustments were made to bring all the accounting policies in line with IFRS.

1.2.2 Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Notes to the Financial Statements

continued

1. Significant Accounting Policies continued

1.2.3 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing if the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

1.3 Goodwill

Goodwill arising on acquisition of subsidiaries is included in the Consolidated Statement of Financial Position as an asset at cost less impairment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.4 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.5 Financial assets and liabilities

Financial assets and liabilities are recognised initially at their fair value and are subsequently measured at amortised cost. For trade receivables, trade payables and other short-term financial liabilities this generally equates to original transaction value.

1.6 Property, plant and equipment

The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office and computer equipment	– 25% – 50% per annum on cost
Fixtures and fittings	– 25% – 33% per annum on cost (or over the life of the lease whichever is shorter)
Land and buildings leasehold	– over 3 – 5 years straight line

1.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1. Significant Accounting Policies continued

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.9 Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value. Investments are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable an impairment loss is recognised immediately for the amount by which the investment's carrying amount exceeds its recoverable value.

1.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is recognised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.11 Invoice discounting facility

The terms of this arrangement are judged to be such that the risk and rewards of ownership of the trade receivables do not pass to the finance provider. As such the receivables are not derecognised on draw-down of funds against this facility. This facility is recognised as a liability for the amount drawn.

1.12 Trade payables

Trade payables are non-interest bearing and are initially recognised at fair value and then subsequently measured at amortised cost.

1.13 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

1.14 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and the Group's presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'net finance income'. All other foreign exchange gains and losses are presented in the income statement within 'operating expenses'.

Notes to the Financial Statements

continued

1. Significant Accounting Policies continued

1.15 Taxation

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all material taxable timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from an initial recognition of goodwill or from the initial recognition (other than in the business combination) of other assets and liabilities in the transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.16 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) **Executive search services (NBES, NBS)**
Executive Search services are provided on a retained basis and the Group generally invoices the client at pre-specified milestones agreed in advance. Typically, this will be in three stages; retainer, shortlist and completion fee. Revenue is recognised on completion of defined stages of work during the recruitment process including the completion of a candidate shortlist and placement of a candidate. NBS is a more flexible model and on occasions will invoice in two stages, initiation and completion. Revenue is deferred for any invoices raised but unearned at the year end.

(b) **Short-term contract and interim business**
Revenue is recognised as services are rendered, validated by receipt of a client approved timesheet or equivalent. Fixed Term Contracts or Candidate conversions are recognised on client approval and invoice date.

(c) **Assessment, career coaching and talent management**
Revenue is recognised in line with delivery. Where revenue is generated by contracts covering a number of sessions then revenue is recognised over the contract term based on the average number of sessions taken up.

(d) **Interest income**
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.17 Pensions

The Group operates a number of defined contribution funded pension schemes for the benefit of certain employees. The costs of the pension schemes are charged to the income statement as incurred.

Notes to the Financial Statements

continued

1. Significant Accounting Policies continued

1.18 Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased assets.

1.19 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations. Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the income statement. This amount comprises the post-tax profit or loss of discontinued operations. The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latest period presented.

1.20 Share Option Schemes

For equity-settled share-based payment transactions the Group, in accordance with IFRS 2, measures their value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date, using the trinomial method. The expense is apportioned over the vesting period of the financial instrument and is based on the numbers which are expected to vest and the fair value of those financial instruments at the date of grant. If the equity instruments granted vest immediately, the expense is recognised in full.

1.21 Critical accounting judgements and estimates

(a) Impairment of goodwill – determining whether goodwill is impaired requires an estimation of the value in use of cash-generating units (CGUs) to which goodwill has been allocated. The value in use calculation requires an estimation of the future profitability expected to arise from the CGU and a suitable discount rate in order to calculate present value.

(b) Share Options – fair value of options granted is determined using the trinomial valuation model. The significant inputs into the model are share price at grant date, expected price, expected option life and risk free rate.

(c) Revenue recognition – revenue is recognised based on estimated timing of delivery of services based on the assignment structure and historical experience. Were these estimates to change then the amount of revenue recognised would vary.

Notes to the Financial Statements

continued

2 Financial risk management

The financial risks that the Group is exposed to through its operations are interest rate risk, liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

There have been no substantive changes in the Group's exposure to financial risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods, unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's Executive Committee.

The Board receives monthly reports from the Group Chief Financial Officer, through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible, without unduly affecting the Group's competitiveness and flexibility. Further details regarding specific policies are set out below:

2 Financial risk management

2.1 Interest rate risk

The Group's interest rate risk arises from short term borrowings issued at a variable interest rate. At 31 December 2019 the balance outstanding on the invoice discounting facility was £0.9 million (2018: £0.8 million) and this balance increases and decreases in line with the outstanding trade receivables.

2.2 Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group monitors its requirements on a rolling monthly basis. The Board receives cash flow projections as well as monthly information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under reasonably expected circumstances.

2.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, to assess the credit risk of new customers before entering contracts.

Each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Board determines concentrations of credit risk by reviewing the trade receivables' ageing analysis.

The Board monitors the ageing of credit sales regularly and at the reporting date does not expect any losses from non-performance by the counterparties other than those specifically provided for (see Note 13). The Directors are confident about the recoverability of receivables based on the blue chip nature of its customers, their credit ratings and the very low levels of default in the past.

2.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Financial Statements

continued

3 Segmental analysis

Management has determined the operating segments based on the reports reviewed regularly by the Board for use in deciding how to allocate resources and in assessing performance. The Board considers Group operations from both a class of business and geographic perspective. Each class of business derives its revenues from the supply of a particular recruitment related service, from retained executive search through to executive assessment and coaching. Business segment results are reviewed primarily to operating profit level, which includes employee costs, marketing, office and accommodation costs and appropriate recharges for management time.

Group revenues are primarily driven from UK operations, however when revenue is derived from overseas business the results are presented to the Board by geographic region to identify potential areas for growth or those posing potential risks to the Group.

(i) Class of Business:

The analysis by class of business of the Group's turnover and profit before taxation is set out below:

2019	NBES £000	NBLC £000	NBS £000	NBIM £000	Unallocated £000	Total £000
Revenue	3,335	278	1,830	6,043	–	11,486
Cost of sales	(9)	(62)	–	(3,808)	–	(3,879)
Gross profit	**3,326**	**216**	**1,830**	**2,235**	**–**	**7,607**
Operating expenses	(3,502)	(286)	(1,618)	(1,971)	8	(7,369)
Depreciation and amort.	(89)	–	(2)	(2)	–	(93)
Finance costs	(15)	(6)	(6)	(14)	(20)	(61)
Profit/(Loss) before tax	**(280)**	**(76)**	**204**	**248**	**(12)**	**84**

2018	NBES £000	NBLC £000	NBS £000	NBIM £000	Unallocated £000	Total £000
Revenue	3,737	345	1,196	4,136	–	9,414
Cost of sales	(12)	(106)	–	(2,652)	–	(2,770)
Gross profit	**3,725**	**239**	**1,196**	**1,484**	**–**	**6,644**
Operating expenses	(3,908)	(272)	(1,115)	(1,384)	(569)	(7,248)
Depreciation and amort.	(57)	–	(2)	(1)	–	(60)
Finance costs	(20)	(5)	(5)	(12)	(35)	(77)
Profit/(Loss) before tax	**(260)**	**(38)**	**74**	**87**	**(604)**	**(741)**

(ii) Revenue and gross profit by geography

	2019 Revenue £000	2018 Revenue £000	**2019 Gross Profit £000**	2018 Gross Profit £000
United Kingdom	10,804	8,671	6,925	5,901
Rest of the world	682	743	682	743
Total	**11,486**	**9,414**	**7,607**	**6,644**

Notes to the Financial Statements

continued

4 Profit/(loss) on ordinary activities before taxation

	2019 £000	2018 £000
Profit/(Loss) on ordinary activities before taxation is stated after charging:		
Depreciation and impairment of property, plant and equipment	**93**	60
Gain on foreign currency exchange	**–**	–
Staff costs (see note 5)	**5,725**	5,474
Operating lease rentals:		
Land and buildings	**187**	270
Auditors' remuneration:		
Audit work	**49**	47
Non-audit work	**–**	–

The Company audit fee in the year was £49,000 (2018: £47,000).

5 Staff costs

The average number of full time equivalent persons (including Directors) employed by the Group during the period was as follows:

	2019 No.	2018 No.
Sales and related services	**36**	37
Administration	**16**	18
	52	55

Staff costs (for the above persons):

	£000	£000
Wages and salaries	**4,933**	4,746
Social security costs	**626**	567
Defined contribution pension cost	**153**	142
Share based payment expense	**13**	19
	5,725	5,474

The emoluments of the Directors are disclosed as required by the Companies Act 2006 on page 16 in the Directors' Remuneration Report. The table of Directors' emoluments has been audited and forms part of these financial statements. This also includes details of the highest paid Director.

Notes to the Financial Statements

continued

6 Tax expense

(a) Tax charged in the income statement

Taxation is based on the loss for the year and comprises:

	2019 £000	2018 £000
Current tax:		
United Kingdom corporation tax at 19% (2018: 19%) based on loss for the year	**–**	–
Foreign Tax	**–**	–
Total current tax	**–**	–
Deferred tax:		
Origination and reversal of temporary differences	**–**	–
Tax charge/(credit)	**–**	–

(b) Reconciliation of the total tax charge

The difference between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £000	2018 £000
Profit/(Loss) on ordinary activities before taxation	**22**	(763)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	**5**	(145)
Effects of:		
Expenses not deductible	**16**	17
Substantial shareholding exemption		
Capital allowances in excess of depreciation	**12**	6
Provision Movement		1
Pension accrual movement		(2)
Losses bought forward utilised	**(73)**	(30)
Adjustment to losses carried forward	**40**	153
Current tax charge for the year	**–**	–

(c) Deferred tax

	Tax losses £000	Total £000
At 1 January 2019	**(69)**	(69)
At 31 December 2019	**(69)**	(69)
Credited to the income statement in 2019	**–**	–
At 31 December 2019	**(69)**	(69)

Notes to the Financial Statements

continued

6. Tax expense continued

At 31 December 2019 the Group had capital losses carried forward of £8,130,000 (2018: £8,130,000). A deferred tax asset has not been recognised for the capital losses as the recoverability in the near future is uncertain. The Group also has £13,974,127 (2018: £14,133,106) trading losses carried forward, which includes £8,987,000 losses transferred from BNB Recruitment Consultancy Ltd in 2011. A deferred tax asset of £1,281,415 (2017: £1,285,075) has not been recognised in the financial statements due to the inherent uncertainty as to the quantum and timing of its utilisation.

The analysis of deferred tax in the consolidated balance sheet is as follows:

	2019 £000	2018 £000
Deferred tax assets:		
Tax losses carried forward	**69**	69
Total	**69**	69

7 Net finance cost

	2019 £000	2018 £000
Interest payable on Loan Notes and Invoicing facility	**61**	77
Total	**61**	77

8 Earnings per share

(i) Basic earnings per share

This is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	2019	2018
Profit/(Loss) attributable to owners of the company	**22,000**	(763,000)
Weighted average number of ordinary shares	**53,885,570**	53,885,570
Total	**53,885,570**	53,885,570

(ii) Diluted earnings per share

This is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares in the form of employee share options. For these options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The grants of options in 2019 and 2018 have both profitability and share price exercise criteria.

	2019	2018
Profit/(Loss) attributable to owners of the company	**22,000**	(763,000)
Weighted average number of ordinary shares	**53,885,570**	53,885,570
Total	**53,885,570**	53,885,570

Notes to the Financial Statements

continued

8 Earnings per share continued

(iii) Adjusted earnings per share

An adjusted earnings per share has also been calculated in addition to the basic and diluted earnings per share and is based on earnings adjusted to eliminate the effects of charges for share based payments. It has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the Group.

	2019 £000	**2019 Basic pence per share**	**2019 Diluted pence per share**	2018 £000	2018 Basic pence per share	2018 Diluted pence per share
Basic earnings						
Profit/(Loss) after tax	**22**	**0.04**	**0.04**	(763)	(1.42)	(1.42)
Adjustments						
Share based payment charge	**13**	**0.02**	**0.02**	19	0.04	0.04
Adjusted earnings	**35**	**0.06**	**0.06**	(744)	(1.38)	(1.38)

9 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these accounts. The parent company's loss for the year amounted to £12,000 (2018: £605,000).

10 Intangible assets

	Goodwill arising on consolidation £000
Group	
Balance at 1 January 2018	3,690
Balance at 31 December 2018	3,690
Balance at 31 December 2019	**3,690**
Provision for impairment	
Balance at 1 January 2018	2,327
Balance at 31 December 2018	2,327
Balance at 31 December 2019	**2,327**
Net book value	
At 1 January 2018	1,363
At 31 December 2018	1,363
At 31 December 2019	**1,363**

Notes to the Financial Statements

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10 Intangible assets continued

Goodwill acquired through business combinations is allocated to cash-generating units (CGU) identified at entity level. The carrying value of intangibles allocated by CGU is shown below:

	Norman Broadbent £000	Norman Broadbent Leadership Consulting £000	Total £000
At 1 January 2018	1,303	60	1,363
At 31 December 2018	1,303	60	1,363
At 31 December 2019	**1,303**	**60**	**1,363**

In line with International Financial Reporting Standards, goodwill has not been amortised from the transition date, but has instead been subject to an impairment review by the Directors of the Group. As set out in accounting policy note 1 on page 31, the Directors test the goodwill for impairment annually. The recoverable amount of the Group's CGUs are calculated on the present value of their respective expected future cash flows, applying a weighted average cost of capital in line with businesses in the same sector. Pre-tax future cash flows for the next five years are derived from the approved forecasts for the 2019 financial year.

The key assumption applied to the forecasts for the business is that return on sales for Norman Broadbent is expected to be a minimum of 5% per annum for the foreseeable future (2018: 10%) and 20% for Norman Broadbent Leadership Consulting (2018: 19%). Return on sales defined as the expected profit before tax on net revenue. There are only minimal non cash flows included in profit before tax. The rate used to discount the forecast cash flows is 8% (2018: 9%).

The five year forecasts have been prepared using conservative revenue growth rates to reflect the uncertainty that is still present in the economy. Based on the above assumptions, at 31 December 2019 the recoverable value of the Norman Broadbent CGU is £1,440,000 and the Norman Broadbent Leadership Consulting CGU is £1,906,000.

Notes to the Financial Statements

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11 Property, plant and equipment

Group	Land and buildings – leasehold £000	Office and computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 January 2018	84	162	57	303
Additions	–	14	154	168
Disposals	–	–	–	–
Balance at 31 December 2018	84	176	211	471
Additions	–	30	–	30
Disposals	–	–	(5)	(5)
Balance at 31 December 2019	**84**	**206**	**206**	**496**
Accumulated depreciation				
Balance at 1 January 2018	78	128	50	256
Charge for the year	5	14	41	60
Disposals	–	–	–	–
Balance at 31 December 2018	83	142	91	316
Charge for the year	–	17	76	93
Disposals	–	–	–	–
Balance at 31 December 2019	**83**	**159**	**167**	**409**
Net book value				
At 1 January 2018	6	34	7	47
At 31 December 2018	1	34	120	155
At 31 December 2019	**1**	**47**	**39**	**87**

The Group had no capital commitments as at 31 December 2019 (2018: £Nil).

The above assets are owned by Group companies; the Company has no fixed assets.

Notes to the Financial Statements

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12 Investments

Company	Shares in subsidiary undertakings £000
Cost	
Balance at 1 January 2018	5,796
Balance at 31 December 2018	5,796
Balance at 31 December 2019	**5,796**
Provision for impairment	
Balance at 1 January 2018	4,153
Impairment for the year	–
Balance at 31 December 2018	4,153
Impairment for the year	–
Balance at 31 December 2019	**4,153**
Net book value	
At 1 January 2018	1,643
At 31 December 2018	1,643
At 31 December 2019	**1,643**

At 31 December 2019 the Company held the following ownership interests:

Principal Group investments	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares held by the Company
Norman Broadbent Executive Search Ltd	England and Wales	Executive search	100% ordinary shares
Norman Broadbent Overseas Ltd	England and Wales	Executive search	100% ordinary shares
Norman Broadbent Leadership Consulting Limited	England and Wales	Assessment, coaching and talent mgmt.	100% ordinary shares
Norman Broadbent Solutions Ltd	England and Wales	Mezzanine level search	100% ordinary shares
Bancomm Ltd**	England and Wales	Dormant	100% ordinary shares
Norman Broadbent Ireland Ltd**	Republic of Ireland	Dormant	100% ordinary shares
Norman Broadbent Interim Management Ltd	England and Wales	Interim Management	75% ordinary shares

* 100% of the issued share capital of this company is owned by Norman Broadbent Overseas Ltd.

** These companies are exempt from audit by virtue of provisions in the Companies Act 2006. Where required limited assurance procedures have been completed.

The registered office for the subsidiaries are Millbank Tower, 21-24 Millbank London SW1P 4QPP with the exception of Norman Broadbent Ireland Limited.

Notes to the Financial Statements

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13 Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Trade receivables	**2,782**	2,076	**–**	–
Less: provision for impairment	**(49)**	–	**–**	–
Trade receivables – net	**2,733**	2,076	**–**	–
Other debtors	**180**	98	**125**	–
Prepayments and accrued income	**100**	136	**14**	208
Due from Group undertakings	**–**	–	**5,317**	5,050
Total	**3,013**	2,310	**5,456**	5,258
Non-Current	**65**	135	**65**	135
Current	**2,948**	2,175	**5,391**	5,123
	3,013	2,310	**5,456**	5,258

Non-current trade receivables are in relation to the cash consideration due from the sale of SMS in 2016.

As at 31 December 2019, Group trade receivables of £1,408,000 (2018: £1,885,000), were past their due date but not impaired, save as referred to below. They relate to customers with no default history. The aging profile of these receivables is as follows:

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Up to 3 months	**1,120**	1,747	**–**	–
3 to 6 months	**197**	120	**–**	–
6 to 12 months	**91**	18	**–**	–
Total	**1,408**	1,885	**–**	–

The largest amount due from a single trade debtor at 31 December 2019 represents 7% (2018: 8%) of the total trade receivables balance outstanding.

As at 31 December 2019, £49,000 of group trade receivables (2018: no group trade receivables) were considered impaired. A provision for impairment has been recognised in the financial statements. Movements on the Group's provision for impairment of trade receivables are as follows:

	2019 £000	**2018 £000**
At 1 January	**–**	–
Provision for receivable impairment	**49**	–
Receivables written-off as uncollectable	**–**	–
At 31 December	**49**	–

There are no material difference between the carrying value and the fair value of the Group's and parent Company's trade and other receivables.

Notes to the Financial Statements

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14 Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	**432**	684	**14**	280
Total	**432**	684	**14**	280

There is no material difference between the carrying value and the fair value of the Group's and parent Company's cash at bank and in hand.

15 Trade and other payables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade payables	**588**	650	**79**	80
Due to Group undertakings	**–**	–	**1,481**	1,437
Other taxation and social security	**649**	765	**–**	–
Other payables	**33**	35	**–**	–
Accruals	**1,045**	575	**86**	45
Total	**2,315**	2,025	**1,646**	1,562

There is no material difference between the carrying value and the fair value of the Group's and parent company's trade and other payables.

16 Borrowings

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Maturity profile of borrowings				
Current				
Bank overdrafts and interest bearing loans:				
Invoice discounting facility (see note (a) below)	**950**	776	**–**	–
Secured loan notes	**119**	272	**119**	272
Total	**1,069**	1,048	**119**	272

Notes to the Financial Statements

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16 Borrowings continued

The carrying amounts and fair value of the Group's borrowings, which are all denominated in sterling, are as follows:

	Carrying amount		Fair value	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Bank overdrafts and interest bearing loans:				
Invoice discounting facility	**776**	851	**776**	851
Secured Loan notes	**272**	300	**272**	300
Total	**1,048**	1,151	**1,048**	1,151

Bank overdrafts and interest bearing loans:				
Invoice discounting facility	**950**	776	**950**	776
Secured loan notes	**119**	272	**119**	272
Total	**1,069**	1,048	**1,069**	1,048

(a) **Invoice discounting facilities:**

Norman Broadbent Executive Search Limited, NBS, NBIM and NBLC operate independent invoice discounting facilities, provided by Bibby Financial Services Limited. Bibby Financial Services Limited holds all assets debentures for each company (fixed and floating charges) and also a cross-corporate guarantee and indemnity deed dated 20 August 2019. The financial terms of the facilities are outlined below:

Norman Broadbent Executive Search Limited:

Funds are available to be drawn down at an advance rate of 80% against trade receivables of Norman Broadbent Executive Search Limited that are aged less than 120 days, with the facility capped at £2,000,000. At 31 December 2019, the outstanding balance on the facility of £217,679 (2018: £369,969) was secured by trade receivables of £717,619 (2018: £860,137). Interest is charged on the drawn down funds at a rate of 2.50% (2018: 2.40%) above the bank base rate.

Norman Broadbent Solutions Limited:

Funds are available to be drawn down at an advance rate of 80% against trade receivables of Norman Broadbent Solutions Limited that are aged less than 120 days, with the facility capped at £2,000,000. At 31 December 2019, the outstanding balance on the facility of £227,997 (2018: £139,813) was secured by trade receivables of £592,863 (2018: £263,604). Interest is charged on the drawn down funds at a rate of 2.50% (2018: 2.40%) above the bank base rate.

Norman Broadbent Interim Management Limited:

Funds are available to be drawn down at an advance rate of 90% against trade receivables of Norman Broadbent Interim Management Limited that are aged less than 120 days, with the facility capped at £2,000,000. At 31 December 2019, the outstanding balance on the facility of £453,086 (2018: £246,441) was secured by trade receivables of £1,300,602 (2018: £701,821). Interest is charged on the drawn down funds at a rate of 2.50% (2018: 2.40%) above the bank base rate.

Notes to the Financial Statements

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16 Borrowings continued

Norman Broadbent Leadership Consulting

Funds are available to be drawn down at an advance rate of 90% against trade receivables of Norman Broadbent Leadership Consulting Limited that are aged less than 120 days, with the facility capped at £2,000,000. At 31 December 2019 the outstanding balance on the facility of £52,220 (2018: £19,861) was secured by trade receivables of £61,883 (2018: £50,474). Interest is charged on the drawn down funds at a rate of 2.50% above the bank base rate.

(b) **Secured Loan Notes**

The £300,000 loan note was issued in August 2017 with an interest rate of 12%.

The loan note was repaid in full after the year end.

17 Financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are summarised below. All financial assets and liabilities are measured at amortised cost which is not considered to be materially different to fair value.

	Amortised Cost	
	2019	2018
Group	**£000**	£000
Financial Assets		
Trade and other receivables	**2,913**	2,204
Financial Liabilities		
Trade and other payables	**2,315**	2,027
Secured loan notes	**119**	272
Invoice discounting facility	**950**	776

	Amortised Cost	
	2019	2018
Company	**£000**	£000
Financial Assets		
Trade and other receivables	**5,317**	5,058
Financial Liabilities		
Trade and other payables	**1,644**	1,562
Secured loan notes	**119**	272

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. Details on these risks and the policies set out by the Board to reduce them can be found in Note 2.

Notes to the Financial Statements

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18 Share capital and premium

	2019 £000	2018 £000
Allotted and fully paid:		
Ordinary Shares:		
53,885,570 Ordinary shares of 1.0p each (2018: 53,885,570)	**539**	539
Deferred Shares:		
23,342,400 Deferred A shares of 4.0p each (2018: 23,342,400)	**934**	934
907,118,360 Deferred shares of 0.4p each (2018: 907,118,360)	**3,628**	3,628
1,043,566 Deferred B shares of 42.0p each (2018: 1,043,566)	**438**	438
2,504,610 Deferred C shares of 29.0p each (2018: 2,504,610)	**727**	727
	5,727	5,727
Total	**6,266**	6,266

Deferred A Shares of 4.0p each

The Deferred A Shares carry no right to dividends or distributions or to receive notice of or attend general meetings of the Company. In the event of a winding up, the shares carry a right to repayment only after the holders of Ordinary Shares have received a payment of £10,000 per Ordinary Share. The Company retains the right to cancel the shares without payment to the holders thereof. The rights attaching to the shares shall not be varied by the creation or issue of shares ranking pari passu with or in priority to the Deferred A Shares.

Deferred Shares of 0.4p each

The Deferred Shares carry no right to dividends, distributions or to receive notice of or attend general meetings of the Company. In the event of a winding up, the shares carry a right to repayment only after payment of capital paid up on Ordinary Shares plus a payment of £10,000 per Ordinary Share. The Company retains the right to transfer or cancel the shares without payment to the holders thereof.

Deferred B Shares of 42.0p each

The Deferred B Shares carry no right to dividends or distributions or to receive notice of or attend general meetings of the Company. In the event of a winding up, the shares carry the right to repayment only after the holders of Ordinary Shares have received a payment of £10 million per Ordinary Share. The Company retains the right to cancel the shares without payment to the holders thereof. The rights attaching to the shares shall not be varied by the creation or issue of shares ranking pari passu with or in priority to the Deferred B Shares.

Deferred C Shares of 29.0p each

The Deferred Shares carry no right to dividends or distributions or to receive notice of or attend general meetings of the Company. In the event of a winding up, the shares carry the right to repayment only after the holders of Ordinary Shares have received a payment of £10,000 per Ordinary Share. The Company retains the right to cancel the shares without payment to the holders thereof.

A reconciliation of the movement in share capital and share premium is presented below:

	Number of ordinary shares (000s)	Ordinary shares (000s)	Deferred shares (000s)	Share premium (000s)	Total (000s)
At 1 January 2018	53,885	539	5,727	13,706	19,972
At 31 December 2018	**53,885**	**539**	**5,727**	**13,706**	**19,972**
At 31 December 2019	**53,885**	**539**	**5,727**	**13,706**	**19,972**

Notes to the Financial Statements

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19 Share based payments

19.1 Share Options

The Company has an approved EMI share option scheme for full time employees and Directors. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The Company has no legal or constructive obligation to repurchase or settle the options or warrants in cash.

Options under the Company EMI scheme are conditional on the employee completing three years' service (the vesting period). The EMI options vest in three equal tranches on the first, second and third anniversary of the grant. The options have a contractual option term of either seven or ten years.

Movements in the number of share options and their related weighted average exercise prices are as follows:

	Approved EMI share option scheme	
	Average exercise price per share (p)	Number of options
At 1 January 2018	**14.54**	**3,098,511**
Granted	13.50	1,054,191
Forfeited	13.50	(603,555)
At 31 December 2018	**14.41**	**3,549,147**
Granted	–	–
Forfeited	–	–
At 31 December 2019	**14.41**	**3,549,147**

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price per share (p)	Share options 2019	2018
2021	65.5	**62,153**	62,153
2023	13.5	**2,051,852**	3,036,358
2024	13.5	**380,951**	–
2025	13.5	**1,054,191**	–
Total		**3,549,147**	3,098,511

Out of the 3,549,147 outstanding options (2018: 3,549,147), no options were exercisable at the year-end (2018: None) as they were all 'underwater'.

The significant inputs into the model in valuing the 2019 option grant were weighted average share price of 12 pence at the grant date, exercise price of 13.5p, volatility of 28%, dividend yield of 0% (2018 and 2017: 0%), an expected option life of 10 years (2018 and 2017: 10 years) and an annual risk-free interest rate of 0.652%. The expected volatility was estimated by reference to the historical volatility of the Company's share price and those of UK quoted companies in a similar business sector. The risk-free interest rate is estimated as the yield on zero coupon UK government bonds of a term consistent with the contractual life of the options granted. No share options were granted during 2019, therefore the same assumptions were used as per the prior year. There was no significant change in the company or shareholding during 2019.

Notes to the Financial Statements

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20 Leases

Operating leases

The Group leases its premises and the lease is tenant repairing.

As at 31 December 2019, the total future value of minimum lease payments due are as follows:

	Land and buildings	
	2019	2018
	£000	£000
Within one year	**28**	160
Later than one year and not later than five years	**–**	32
Total	**28**	192

The Group has subsequently signed a two year lease for its London Head Office in Millbank Tower, London SW1P 4QP.

21 Provisions

	Group	
	2019	**2018**
	£000	**£000**
At 1 January	**240**	125
Provisions made during the year	**–**	115
Provisions Utilised during the year	**(25)**	–
At 31 December	**215**	240
Current liability	**215**	240
Non-current liability	**–**	–
At 31 December	**215**	240

The Company moved its head office in April 2018. The Company has agreed a final dilapidations figure of £215,000 for its previous head office in St James Square. The amount is repayable at £20,000 per month with a final payment of £15,000, commencing 1 January 2020.

22 Pension costs

The Group operated several defined contribution pension schemes for the business. The assets of the schemes were held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds and amounts to £155,000 (2018: £142,000). At the year-end £16,000 of contributions were outstanding (2018: £19,000).

Notes to the Financial Statements

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23 Related party transactions

The following transactions were carried out with related parties:

(a) Purchase of services:

	2019 £000	2018 £000
Brian Stephens & Company Ltd	**20**	20
Total	**20**	20

Brian Stephens & Company Ltd invoiced the Group for the provision of services of B Stephens of £20,000 (2018 total: £20,000). B Stephens is a director of Brian Stephens & Company Ltd.

All related party expenditure took place via “arms-length” transactions.

(b) Key management compensation:

Key management includes Executive and Non-Executive Directors. The compensation paid or payable to the directors can be found in the Directors’ Remuneration Report on page 14 to 16.

(c) Year-end payables arising from the purchases of services:

	2019 £000	2018 £000
Brian Stephens & Company Ltd	**–**	2
Total	**–**	2

Payables to related parties arise from purchase transactions and are due one month after date of purchase. Payables bear no interest.

24 Contingent liability

The Company is a member of the Norman Broadbent plc Group VAT scheme. As such it is jointly accountable for the combined VAT liability of the Group. The total VAT outstanding in the Group at the year-end was £481,000 (2018: £377,000).

25 Post balance sheet event

Early 2020 saw the outbreak of the Covid-19 pandemic. This has already resulted in significant global economic disruption and as the pandemic develops this disruption will continue over the months to come. This is considered to be a non-adjusting event affecting the Group since year end, disclosure of the Board’s consideration on going concern has been made in note 1 of these financial statements.

Notice of Annual General Meeting

Notice is hereby given that the 81st Annual General Meeting ("AGM") of Norman Broadbent plc will be held at 10am at 7th Floor Millbank Tower, 21-24 Millbank, London SW1P 4QP (and by Zoom conference software meeting) on 28th July 2020 to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution:

Ordinary Resolutions

1 To receive and adopt the statement of accounts of the Company for the year ended 31 December 2019 together with the reports of the Directors and Auditors thereon.

2 To re-elect B. Stephens, who is retiring by rotation in accordance with the articles of the Company and who offers himself for re-election as a Director of the Company.

3 To re-elect S. Smith, who only holds office until the date of this AGM in accordance with the articles of the Company and who automatically offers himself up for election

4 To appoint Kreston Reeves LLP as Auditors to act as such until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors of the Company to fix their remuneration.

5 That in substitution for all existing and unexercised authorities and powers, the directors of the Company be generally and unconditionally authorised for the purpose of section 551 Companies Act 2006 (the Act):

(a) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (those shares and rights being together referred to as Relevant Securities) up to a total nominal value of £177,822 to those persons at the times and generally on the terms and conditions as the directors may determine (subject always to the articles of association of the Company); and further;

(b) to allot equity securities (as defined in section 560 of the Act) up to a total nominal value of £361,033 (that amount to be reduced by the nominal value of any Relevant Securities allotted under the authority in paragraph a above) in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to those exclusions or other arrangements as the directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in any, territory,

PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is six months after the next accounting reference date of the Company (if earlier) save that the directors of the Company may, before the expiry of that period, make an offer or agreement which would or might require relevant securities or equity securities (as the case may be) to be allotted after the expiry of that period and the directors of the Company may allot relevant securities or equity securities (as the case may be) under that offer or agreement as if the authority conferred by this resolution had not expired.

Notice of Annual General Meeting

continued

Special Resolutions

6 That if resolution 5 above is passed, the directors of the Company be authorised to allot equity securities (as defined in section 560 of the Act) for cash under the authority given by that resolution 5 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to that allotment or sale, the authority to be limited to:

6.1 the allotment of equity securities or sale of treasury shares in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to those exclusions or other arrangements as the directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in any, territory; and

6.2 the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 6.1 above) up to a total nominal amount of £53,886, representing approximately 10% of the current share capital of the Company,

that authority to expire at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date that is 15 months following the date of this meeting) but, in each case, before its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

By order of the Board

R Robinson FCA
Company Secretary

Registered Office
Millbank Tower
21-24 Millbank
London SW1P 4QP
www.normanbroadbent.com

26 June 2020

Notice of Annual General Meeting

continued

Notes:

1. Due to the ongoing COVID-19 pandemic, and the most recent COVID-19 "Stay at Home" measures adopted by the UK Government, public gatherings of more than two people are prohibited, unless essential for work purposes. The Company's view, which is supported by the Chartered Governance Institute ("ICSA") is that attendance at a general meeting by a shareholder, other than one specifically required to form the quorum for that meeting, is not essential for work purposes. The Company has therefore arranged for a quorum to be present in person at the General Meeting, and all Shareholders are strongly encouraged to vote on the Resolutions by appointing the Chair of the meeting (who will be present in person) as their proxy before the deadline of 10.00 a.m. on 24th July, 2020.

   Accordingly, we hereby notify Shareholders that anyone seeking to attend the Annual General Meeting in person will be refused entry. The Company intends to provide shareholders access to the AGM by using the conferencing software, Zoom. Shareholders will need to register to attend the meeting by writing to Ms Stephanie Alexander (EA to the CEO) at the Companies registered address, or by emailing to stephanie.alexander@normanbroadbent.com. Deadline for registration is 22nd July, 2020 and instructions for access to the Zoom meeting will be sent or emailed by 24th July, 2020 at the latest. The Company is keen to improve communications with Shareholders and therefore Shareholders are advised to send any questions for the Board at the AGM prior to the meeting in accordance with the instructions included within the Notice of Annual General Meeting. Shareholders will not be able to vote via Zoom, and are therefore strongly urged to vote by appointing the Chair of the meeting as their proxy by completing their form of proxy in accordance with the instructions printed on the form of proxy. This measure is designed to promote the health and wellbeing of the Company's Shareholders, its employees and the wider community, which is of upmost importance.

2. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to exercise his rights to attend, speak and vote at the meeting instead of him/her. The proxy need not be a member of the Company. More than one proxy may be appointed to exercise the rights attaching to different shares held by the member, but a member may not appoint more than one proxy to exercise rights attached to any one share. A form of proxy is enclosed with this notice for use at the meeting.

3. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarial) must be returned by one of the following methods:

   - in hard copy form by post, by courier or by hand to the Company's registrars Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
   - via www.signalshares.com; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case must be received by the Company not less than 48 hours before the time of the meeting.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations

Notice of Annual General Meeting

continued

2001. CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
6. Copies of all contracts of service and letters of appointment of any Director with the Company are available for inspection at the Company's registered office during business hours on any weekday (Saturdays and public holidays excluded) and will be available for inspection at the place of the meeting 30 minutes before it is held until its conclusion.
7. A copy of this notice and other information required by s311A Companies Act 2006 can be found at www.normanbroadbent.com. You may not use any electronic address provided in the Notice of AGM or any related document to communicate with the Company for any purpose other than as expressly stated.
8. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members at close of business two days priors to the meeting shall be entitled to attend and vote, whether in person or by proxy, at the meeting, in respect of the member of ordinary shares registered in their name at that time. Changes to entries in the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting. If the meeting is adjourned, entitlements to attend and vote will be determined by reference to the register of members of the Company at close of business two days prior to the adjourned meeting.
9. Any member attending the meeting (or viewing by Zoom) has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the meeting but no answer needs to be given if to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information or if the answer has already been given on a website in the form of an answer to a question or, finally, if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
10. Votes can be registered online via the registrar's website at www.signalshares.com.

Officers and Professional Advisors

Board of Directors

MIKE BRENNAN
Group CEO

WILL GERRAND
Group CFO/COO (resigned on 11/04/20)

STEVE SMITH
Group CFO/COO (appointed on 30/03/20)

BRIAN STEPHENS
Non-Executive Director

FIONA MCANENA
Non-Executive Director

Professional Advisers

COMPANY SECRETARY
Richard Robinson

REGISTERED OFFICE
Millbank Tower, 21-24 Millbank,
London SW1P 4QP

COMPANY NUMBER
318267

NOMINATED ADVISER & BROKER
WH Ireland Group plc
24 Martin Lane
London EC4R 0DR

REGISTRARS
Link Asset Services
34 Beckenham Road
Kent BR3 4TU

SOLICITORS
Gateley PLC
1 Paternoster Square
London EC4M 7DX

PRINCIPAL BANKERS
Metro Bank plc
One Southampton Row
London WC1B 5HA

AUDITORS
Kreston Reeves LLP
Third Floor
24 Chiswell Street
London EC1Y 4YX

For your notes

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