NORMAN BROADBENT

BOARD | SEARCH | INTERIM | CONSULTING | INSIGHT | SOLUTIONS

Annual Report and Financial Statements
For the year ended 31 December 2018

NORMAN BROADBENT

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Contents

Our Services and Business Structure

Norman Broadbent plc (AIM: NBB) is a leading Professional Services firm with a specific focus on Talent Acquisition & Advisory Services. Since our formation nearly 40 years ago, we have developed a range of complementary service lines consisting of Board & Leadership/Executive Search, Senior Interim Management, Research & Insight, Leadership Consulting & Assessment, and executive level Recruitment Solutions.

We are one of the few businesses of our type which offers clients an integrated executive search and interim management offering. This innovative approach gives clients access to business critical talent to meet both short and long term needs.

Leadership/Executive Search

With nearly 40 years of experience, we have developed a proven Executive Search model evidenced by our exceptionally high success/delivery rates, levels of client satisfaction and repeat business. Adopting an attitude that no two Searches are the same, we provide an innovative tailored approach to meeting client needs at Board and Leadership level. This often includes using other service lines across the Group such as Research & Insight, Leadership Consulting & Assessment and Senior Interim Management.

Senior Interim Management

Norman Broadbent Interim Management (NBIM) gives clients the agility to deliver change and transformation, and to successfully embed lasting change into their business ensuring ongoing and sustainable impact. Operating at the very senior end of the market, all roles are treated confidentially and filled via our extensive networks as opposed to advertising, with all Interim Executives undergoing rigorous screening and checks. Our high calibre Interim Executives are outcome focused, sharing knowledge and experience to give lasting and impactful results and as part of the service produce monthly reports, undertake mentoring and full knowledge transfer.

Norman Broadbent Interim Management operates alongside our Search business providing a fully integrated solution across any talent issue. This joined up solution allows our clients greater agility/flexibility, and gives us the opportunity to craft the most optimal, cost-effective, time-efficient solution for them.

Research & Insight

Research & Insight (R&I) underpins everything we do. It helps clients make fully informed decisions, provides valuable market and competitor intelligence, and enables us to support clients more effectively. In summary, NB R&I ensures clients make more informed ‘people’, organisational or commercial decisions. It also significantly de-risks a client’s Talent Acquisition activity. Our experienced teams build, develop and deliver highly bespoke value-added Research & Insight services for clients. Not only is R&I highly complementary to our Search and Solutions service offerings, but it is being increasingly used by clients on a stand-alone basis.

Leadership Consulting & Assessment

Norman Broadbent Consulting (NBC) is a leadership advisory business providing independent assurance to clients that their talent decisions are being made effectively. NBC’s 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.

Solutions

Norman Broadbent Solutions (NBS) delivers an agile and high quality fully retained recruitment service focusing on ‘Future Leaders’ and ‘Next Generation Talent’. With a high degree of focus on diligent and time efficient delivery, NBS operates at the ‘High Potential’ talent level, a market segment not typically served by traditional Executive Search firms. As professional and discreet as all businesses within the Norman Broadbent Group, NBS are experts in delivering professional and specialist ‘hard to find talent’ quickly. Their particular focus enables organisations to identify and attract sought-after, high-potential emerging talent and the leaders of tomorrow. NBS offers a portfolio of services including single retained search assignments through to project recruitment, team or business builds and Executive-RPO. Their innovative approach to pricing and commercial shared-risk model is one of their key differentiators, giving clients total transparency and control over costs.

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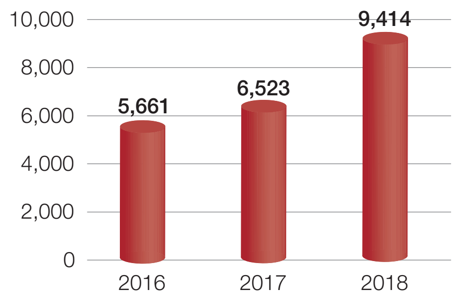
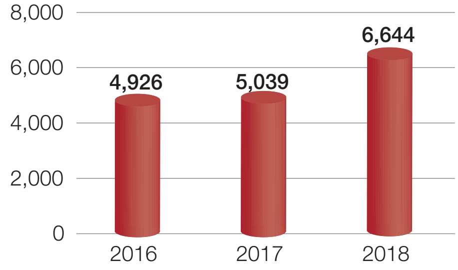
Financial Highlights

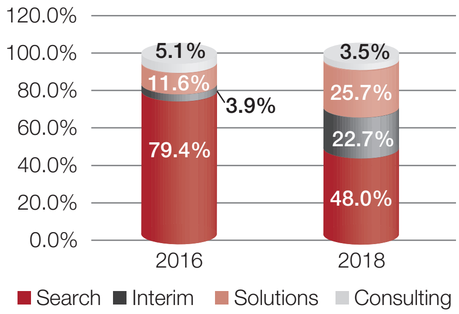
Group Revenue – £000s



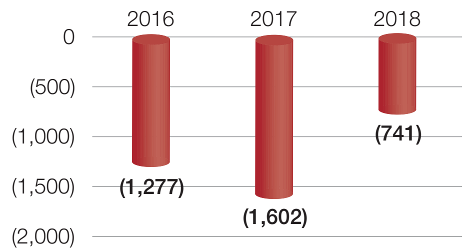
Group NFI – £000s



NFI % Mix



Group PBT – £000s



- Phase 2 of transformation complete and significant progress made towards a return to profitability
- Revenue increase YOY by £2.9m (+44%)
- Net Fee Income (NFI) increased YOY by £1.6m (+32%)
- Group Operating Loss decreased YOY by £0.9m or 54%
- 2018 Group operating performance includes a one off increase in the provision for office dilapidations of £0.1m relating to our former offices
- Interim Management NFI increased by £0.8m (+109%) to £1.5m
- Executive Search NFI increased by £0.7m (+22%) to £3.7m
- Solutions NFI increased by £0.4m (+45%) to £1.2m
- Further improved NFI mix evidences ongoing creation of a more balanced Group

CEO's Review

for the year ended 31 December 2018

Results for the financial year

The table below summarises the results of the Group:

Continuing operations	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Revenue	**9,414**	**6,523**
Cost of sales	(2,770)	(1,484)
Gross profit	**6,644**	**5,039**
Operating expenses	(7,308)	(6,599)
Group operating loss	**(664)**	**(1,560)**
Net finance cost	(77)	(42)
Loss before tax	**(741)**	**(1,602)**
Income tax	–	–
Profit/(Loss) from discontinued operation	–	–
Loss after tax	**(741)**	**(1,602)**

Strategic review

I am pleased to report that the considerable progress of last year has been reflected in our much improved 2018 financial results.

Our 2018 results evidence our continued positive momentum, a result of consistently delivering high quality innovative solutions for clients. There is positive trajectory in top line growth and a further significant reduction of losses.

Putting the needs of our clients first and foremost, we always seek to leverage the synergies between our complementary service lines to devise innovative solutions to drive positive outcomes. Our results reflect that clients (both current and new) are reacting positively to our approach. I'm delighted that after much hard work and commitment, our efforts are slowly being rewarded and we are increasingly seen as an agile, relevant, customer focused Professional Services business.

We completed our office move on the 30th of April 2018 and, in line with our strategy, the office reflects the "new" Norman Broadbent Group.

I would like to personally thank and acknowledge the loyalty and commitment of all of our employees during 2018. They have worked extremely hard, adapted to the changing market and embraced the "new" Norman Broadbent.

2018 trading and business review

As noted in 2017 we were (and remain) focussed on bringing in further innovative and entrepreneurial talent into the Group. As they became productive during 2018, they added to the already established team enabling the Group to continue to grow and improve our financial outlook.

Group turnover increased to £9,414,000 (2017: £6,523,000) whilst overall net revenues after associate and interim costs in the continuing businesses increased to £6,644,000 (2017: £5,039,000). Operating expenses increased to £7,308,000 (2017: £6,599,000), and operating losses from continuing operations decreased to £664,000 (2017: £1,560,000).

In addition to the commentary below note 3 of the Consolidated Financial Statements provides a detailed segmental breakdown of the 2018 Group results.

CEO's Review

continued

Norman Broadbent Executive Search ("NBES")

NBES remains the most significant part of the group and has undergone the most change in the past two years. During 2018 revenue increased by 22% to £3,737,000 (2017: £3,061,000), and the loss before tax reduced by 74% to £260,000 (2017: loss £1,005,000). The process of change in NBES, subject to scale, is now complete and the foundations for a return to profit have been laid with increased activity evidenced by 2018's Q4 being the best performance for a number of years. NBES is the leading contributor of cross referrals in the Group. Our continued drive to move it away from being a traditional and siloed business unit helped it contribute significantly to this year's results.

Norman Broadbent Interim Management ("NBIM")

NBIM is now established in our key areas of market and functional specialisations. Unlike many Interim providers NBIM is increasingly operating in the less transactional/commoditised and higher margin markets. As businesses are facing increasingly complex short term challenges, NBIM is frequently mandated to find and place senior level, high impact Interim professionals.

NBIM generated net revenues (after interim costs) of £1,484,000 (2017: £711,000) resulting in a profit of £87,000 (2017: loss £237,000). We anticipate seeing continued growth in this part of the business.

Norman Broadbent Solutions ("NBS")

Having been significantly restructured, repositioned and rebranded in 2016, NBS continues to successfully promote staff from within and attract new talent from competitors. Revenue increased to £1,196,000 (2017: £842,000) and NBS returned to a profit before tax of £74,000 (2017: loss before tax of £14,000).

As with NBES, we see significant opportunities in this part of 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")

During 2017 we began to invest in R&I, which, in addition to serving our own internal requirements, has started to provide complementary services to clients. R&I is an important strategic differentiator and an enabler of follow-on work, particularly Executive Search. Clients can be provided with research, market insight and business intelligence enabling them to make more informed 'people', organisational or commercial decisions. We see this as an exciting addition to our portfolio and it is a service we are increasingly offering to clients as part of our overall Advisory offering. The revenue arising is included within the Search business.

Norman Broadbent Leadership Consulting ("NBLC")

NBLC was not able to replicate the success of 2017, turnover (after associate costs) reduced from £516,000 in 2017 to £239,000 in 2018, resulting in a loss before tax of £38,000 in 2018 compared with a profit before tax of £294,000 in 2017. This reflected a pause in the assessment and development programmes of some of our larger customers.

Financial position

As at 31 December 2018, consolidated net assets were £1,268,000 (2017: £1,990,000) with net current liabilities of £454,000 (2017: Net Current Assets of £316,000). Group cash amounted to £684,000 (2017: £678,000).

Net cash inflow from operations in 2018 was £354,000 (2017: Outflow of £2,079,000). Net cash outflow from financing activities amounted to (£103,000) (2017: Inflow of £1,851,000). The 2017 inflow related primarily to the net funds received from the 2017 Subscription and Secured Loan Notes.

At 31 December 2018 the Group had £776,000 of funds drawn down against the revolving invoice discounting facility (2017: £851,000) against UK trade receivables of £2,076,000 (2017: £1,371,000).

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

CEO's Review

continued

Current trading

The ongoing reinvention of Norman Broadbent Group is progressing. Our broader, more integrated service proposition is landing well with clients, the business is increasingly competitive, and culturally we are more innovative and collegiate. In summary, the Group is now more relevant and competitive in terms of pricing, proposition and people.

I am pleased to report that the Board is satisfied with the trading performance of the Group against plan at the date of these accounts. On behalf of the Board I would like to thank our shareholders for their continuing support, our clients for placing their trust in us, and finally our team. We are quite rightly proud of what we are achieving, much of which is down to the hard work, dedication and commitment of my colleagues.

Mike Brennan
Group Chief Executive

27 June 2019

Strategic Report

for the year ended 31 December 2018

The business model

Norman Broadbent plc is a leading Professional Services firm with a specific focus on Talent Acquisition & Advisory Services. Since our formation nearly 40 years ago, we have developed a range of complementary service lines consisting of Board & Leadership/Executive Search, Senior Interim Management, Research & Insight, Leadership Consulting & Assessment, and executive level Recruitment Solutions.

The Group operates through independently managed service lines which collaborate and go to market both separately and together, and which share a set of core behavioural and brand values.

Strategy and objectives

The Group's strategy is focussed on further developing and strengthening its complementary portfolio of Talent Acquisition and Advisory services via further selective hires and concentrating on driving synergies via cross selling.

Results for the financial year

Group revenue from continued operations increased in the year by 44% to £9,414,000 (2017: £6,523,000), with gross profit of £6,644,000 (2017: £5,039,000). NBES fees increased by 22% to £3,737,000 (2017: £3,061,000) reflecting the tenure increase of fee earners. Net revenues from NBLC, NBS and NBIM were £2,919,000 (2017: £2,044,000), reflecting the significant development of NBI and NBS brands during 2017.

Operating expenditure increased to £7,308,000 (2017: £6,599,000), reflecting the increased cost of sales related bonuses paid in 2018 and an increase in the dilapidation provision for St James Square of £115,000.

The Group reported an operating loss from continued operations in 2018 of £664,000 (2017: £1,560,000) and a retained loss of £741,000 (2017: £1,602,000).

Cash flow and balance sheet

Net cash inflow from operations in 2018 was £354,000 (2017: £2,079,000 outflow). The inflow reflects improved revenues. Net trade receivables at the year-end were £2,076,000 (2017: £1,371,000).

Net cash outflow from financing activities was £103,000 (2017: inflow of £1,851,000). The 2017 inflow related primarily to the net funds received from the fundraising in September 2017. At 31 December 2018, the Group had £776,000 of funds drawn down against the revolving invoice discounting facility (2017: £851,000) against UK trade receivables of £2,076,000 (2017: £1,371,000).

Earnings per share

The retained loss for 2018 has resulted in a reported loss per share of 1.42 pence (2017: loss per share 3.52 pence). After adding back the cost of share based payments the adjusted loss per share was 1.38 pence (2017: loss per share 3.48 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.

Strategic Report

continued

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	2018	2017
Revenue (continued operations)	£9,414,000	£6,523,000
Operating loss	(664,000)	(1,560,000)
Debtor days	73 days	78 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, 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.

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. Whilst it appears that the global economy is still growing and the impact of Brexit on the UK economy is lower than expected, should conditions deteriorate in the future then demand for the services offered by the Group could weaken resulting in lower cash flows.

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

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.

Strategic Report

continued

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

27 June 2019

Will Gerrand
Director

27 June 2019

Directors' Report

for the year ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

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 Portland House, Bressenden Place, London SW1E 5BH 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 pages 7 to 9.

Results and dividends

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Comprehensive Income.

The directors do not recommend payment of any dividends (2017: £Nil).

Loss after tax for the year amounted to £741,000 including non-controlling interests (2017: £1,602,000).

Directors

The directors who served during the year are as follows:

Frank Carter – resigned 28 September 2018
Mike Brennan
Will Gerrand
Fiona McAnena – appointed 28 September 2018
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 27 June 2019, the Company had been notified of the following significant interests in its issued share capital:

	Ordinary shares of 1.0p each	**%**
Downing LLP	14,327,503	26.59%
Ennismore Fund Management Ltd	9,646,742	17.90%
Moulton Goodies Ltd	8,066,739	14.97%
P Casey	6,275,005	11.65%
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.

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.

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.

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;
- 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.

Directors' Report

continued

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

27 June 2019

Corporate governance

for the year ended 31 December 2018

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 2018, 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 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 2018

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 2018 which has been approved and adopted by the Board of Directors for submission to the shareholders.

Composition

Brian Stephens chaired the Remuneration Committee, Frank carter was a member before he resigned and Fiona McAnena is also a member.

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 Chief Financial Officer hold 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 2018 Ordinary Shares of 1.0p each	%	31 December 2017 Ordinary Shares of 1.0p each	%
Mike Brennan	928,815	1.70	916,315	1.70
Frank Carter	207,894	0.39	207,894	0.39
Brian Stephens[1]	167,955	0.31	167,955	0.31

Notes

[1] 167,995 (2017: 167,955) of B Stephens shares are held in the name of Davycrest Nominees Limited

(b) **Share Options:**

	31 December 2018 Share Options Ordinary Share of 1.0p Each	% Diluted	31 December 2017 Share Options Ordinary Share of 1.0p Each	% Diluted
Mike Brennan	1,851,852	3.22	1,851,852	5.37
Will Gerrand	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 2018 were as follows:

	Salary and fees £000	Bonus £000	Benefits £000	Pensions £000	Total 2018 £000	Total 2017 £000
Executive Directors						
Mike Brennan	181	–	2	29	212	188
Will Gerrand	140	–	–	1	141	36
James Webber	–	–	–	–	–	113
Total	321	–	2	30	353	337
Non-Executive Directors						
Frank Carter	25	–	–	–	25	38
Fiona McAnena	5	–	–	–	5	–
Brian Stephens	20	–	–	–	20	20
Total	50	–	–	–	50	58

Brian Stephens
Chairman of the Remuneration Committee

27 June 2019

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 2018 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 2018, and of the group's loss 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.

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.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THIS MATTER
Going concern The Group reported an operating loss from continued operations in the year to 31 December 2018 of £0.7m compared with an operating loss of £1.6m in 2017.	We have reviewed the group's results and financial positon and have assessed the ability of the group to meet its future financial obligations based upon its available resources. We have also reviewed for potentially unrecorded liabilities that would present a material threat to group liquidity.
The Consolidated Statement of Financial Position shows a net asset position at 31 December 2018 of £1.3m (2017: £1.9m) with cash at bank of £0.7m (2017: £0.7m). At the date that these financial statements were approved the Group had no overdraft facility and the only borrowings were it's receivable finance (Leumi ABL) which is 100% secured by the groups trade receivables.	We have obtained and interrogated management prepared forecasts running to the end of June 2020 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. 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.
In light of the continued loss making position of the Group and the potential liquidity issues that could arise without on-going external finance going concern has been considered a focus area.	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 (2017: £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.	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.
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.	The directors provided a paper on the valuation of each investment, taking into account forecasts for a period of 5 years 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 (2017: £1.4m) in relation to the brand name and client loyalty.	A breakdown of the goodwill was obtained and agreed to the nominal ledger and expectations.
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.	The directors provided a paper on the impairment of goodwill taking into account forecasts for a period of 5 years 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 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 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 several 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 2016 and 2017 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.
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.	No issues arose from our work to suggest that revenue recognition was materially misstated. As part of our audit testing, we have considered the impact IFRS 15 has on the financial statements and agree with managements conclusion that there is no material impact on how the group accounts for revenue.

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 £5.1m (2017: £5.3m) by other group companies. Amounts are initially recognised at fair value and subsequently measured at amortised cost less any necessary provision for impairment.	A breakdown of intercompany balances due by company was obtained and agreed to the nominal ledger and expectations. 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.
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 most group companies have been incurring losses.	Papers prepared by directors in relation to going concern and subsidiary investment valuation including 5 year forecasts 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 audited 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 £65,000. We reported all audit differences found in excess of performance materiality of £45,500 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 £65,000 and £7,000.

We determined group materiality to be £65,000 based on a calculation of 5% of group loss 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 average. Therefore, the significance of balances is expected to be greater and consequently 5% of group loss has been assessed as the most appropriate basis for materiality.

We determined component materiality for the parent company to be 5% of loss and for each of the trading group companies between 1-2% of turnover based upon each group company's activities and risk profile.

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.

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

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 are 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 chairman's statement, 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 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditors' Report

to the shareholders of Norman Broadbent plc continued

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

27 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

Continuing operations	Note	2018 £'000	2017 £'000
Revenue	1	**9,414**	6,523
Cost of sales		**(2,770)**	(1,484)
Gross profit	3	**6,644**	5,039
Operating expenses		**(7,308)**	(6,599)
Operating loss from continued operations		**(664)**	(1,560)
Net finance cost	7	**(77)**	(42)
Loss on ordinary activities before income tax	4	**(741)**	(1,602)
Income tax expense	6	**–**	–
Loss from continuing operations		**(741)**	(1,602)
Loss for the period		**(741)**	(1,602)
Total comprehensive income for the year		**(741)**	(1,602)
Loss attributable to:			
– Owners of the Company		**(763)**	(1,543)
– Non-controlling interests		**22**	(59)
Loss for the year		**(741)**	(1,602)
Total comprehensive income attributable to:			
– Owners of the Company		**(763)**	(1,543)
– Non-controlling interests		**22**	(59)
		(741)	(1,602)
Total comprehensive income for the year			
Loss per share			
– Basic	8	**(1.42)p**	(3.52)p
– Diluted		**(1.42)p**	(3.52)p
Adjusted loss per share			
– Basic	8	**(1.38)p**	(3.48)p
– Diluted		**(1.38)p**	(3.48)p
Loss per share – continuing operations			
– Basic	8	**(1.42)p**	(3.52)p
– Diluted		**(1.42)p**	(3.52)p

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

Consolidated Statement of Financial Position

as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	10	**1,363**	1,363
Property, plant and equipment	11	**155**	47
Prepayments and accrued income	13	**135**	195
Deferred tax assets	6	**69**	69
Total non-current assets		**1,722**	1,674
Current Assets			
Trade and other receivables	13	**2,175**	2,093
Cash and cash equivalents	14	**684**	678
Total current assets		**2,859**	2,771
Total assets		**4,581**	4,445
Current Liabilities			
Trade and other payables	15	**2,025**	1,179
Loan notes	16	**272**	300
Bank overdraft and interest bearing loans	16	**776**	851
Provisions	21	**240**	125
Corporation tax liability		**–**	–
Total current liabilities		**3,313**	2,455
Net current liabilites		**(454)**	316
Non-Current Liabilities			
Provisions	21	**–**	–
Total liabilities		**3,313**	2,455
Total assets less total liabilities		**1,268**	1,990
Equity			
Issued share capital	18	**6,266**	6,266
Share premium account	18	**13,706**	13,706
Retained earnings		**(18,667)**	(17,923)
Equity attributable to owners of the company		**1,305**	2,049
Non-controlling interests		**(37)**	(59)
Total equity		**1,268**	1,990

These financial statements were approved by the Board of Directors on 27 June 2019

Signed on behalf of the Board of Directors

M Brennan
Director

W Gerrand
Director

Company No 00318267

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

Company Statement of Financial Position

as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments	12	**1,643**	1,643
Prepayments and accrued income	13	**135**	195
TOTAL NON-CURRENT ASSETS		**1,778**	1,838
Current Assets			
Trade and other receivables	13	**5,123**	5,437
Cash and cash equivalents	14	**280**	588
Total current assets		**5,403**	6,025
Total assets		**7,181**	7,863
Current Liabilities	.		
Loan notes	16	**272**	300
Trade and other payables	15	**1,562**	1,630
Total current liabilities		**1,834**	1,930
Net current assets		**3,569**	4,095
Total liabilities		**1,834**	1,930
Total assets less total liabilities		**5,347**	5,933
Equity			
Issued share capital	18	**6,266**	6,266
Share premium account	18	**13,706**	13,706
Retained earnings		**(14,625)**	(14,039)
Total equity		**5,347**	5,933

These financial statements were approved by the Board of Directors on 27 June 2019.

Signed on behalf of the Board of Directors

M Brennan
Director

W Gerrand
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 2018

	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 1 January 2017	**6,143**	**12,685**	**(16,394)**	**2,434**	**–**	**2,434**
Loss for the year	–	–	(1,543)	(1,543)	(59)	(1,602)
Total comprehensive income for the year	**–**	**–**	**(1,543)**	**(1,543)**	**(59)**	**(1,602)**
Transactions with owners of the Company, recognised directly in equity:						
Issue of ordinary shares	123	1,021	–	1,144	–	1,144
Credit to equity for share based payments	–	–	14	14	–	14
Total transactions with owners of the Company, recognised directly in equity	**123**	**1,021**	**14**	**1,158**	**–**	**1,158**
Total transactions with owners of the Company	**123**	**1,021**	**14**	**1,158**	**–**	**1,158**
Balance at 31st December 2017	**6,266**	**13,706**	**(17,923)**	**2,049**	**(59)**	**1,990**
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 transaction with owners of the Company	**–**	**–**	**19**	**19**	**–**	**19**
Balance at 31st December 2018	**6,266**	**13,706**	**(18,667)**	**1,305**	**(37)**	**1,268**

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 2018

	Attributable to owners of the Company			
	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	**6,143**	**12,685**	**(13,178)**	**5,650**
Loss for the year	–	–	(875)	(875)
Total comprehensive income for the year	**–**	**–**	**(875)**	**(875)**
Transactions with owners of the Company, recognised directly in equity:				
Credit to equity for share based payments	–	–	14	14
Issue of ordinary shares	123	1,021	–	1,144
Balance at 31st December 2017	**6,266**	**13,706**	**(14,039)**	**5,933**
Balance at 1st January 2018				
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**

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 2018

	Notes	2018 £000	2017 £000
Net cash used in operating activities	(i)	**354**	(2,079)
Cash flows from investing activities and servicing of finance			
Net finance cost		**(77)**	(42)
Payments to acquire tangible fixed assets	11	**(168)**	(16)
Net cash used in investing activities		**(245)**	(58)
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings	16	**(28)**	300
Net cash inflows from equity placing	18	**–**	1,144
Increase/(Repayment) in invoice discounting	16	**(75)**	407
Net cash from financing activities		**(103)**	1,851
Net (decrease)/increase in cash and cash equivalents		**6**	(286)
Net cash and cash equivalents at beginning of period		**678**	963
Effects of exchange rate changes on cash balances held in foreign currencies		**–**	1
Net cash and cash equivalents at end of period		**684**	678
Analysis of net funds			
Cash and cash equivalents		**684**	678
Borrowings due within one year		**(1,048)**	(1,151)
Borrowings due within more than one year		**–**	–
(Net debt)/cash	(ii)	**(364)**	(473)

Note (i)

Reconciliation of operating loss to net cash from operating activities	2018 £000	2017 £000
Operating loss from continued operations	**(664)**	(1,560)
Depreciation/impairment of property, plant and equipment	**60**	37
Share based payment charge	**19**	14
Decrease/(Increase) in trade and other receivables	**(22)**	(707)
(Decrease)/Increase in trade and other payables	**846**	137
(Decrease)/Increase Provisions	**115**	–
Taxation paid	**–**	–
Net cash used in operating activities	**354**	(2,079)

Note (ii)

Reconciliation of movement of debt	2018 £000	2017 £000
Net (decrease)/increase in cash and cash equivalents	**6**	(286)
New Borrowings	**–**	(300)
Repayment of Borrowings	**28**	–
(Increase)/Repayment for invoice discounting	**75**	(407)
Exchange difference on cash and cash equivalents	**–**	1
Movement in Borrowings for the Period	**109**	(992)
Net Borrowings at the Start of the Period	**(473)**	519
Net Borrowings at the end of the Period	**(364)**	(473)

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

Company Statement of Cash Flow

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Net cash used in operating activities	(i)	**(244)**	**(1,686)**
Cash flows from investing activities and servicing of finance			
Interest paid		**(36)**	(13)
Net cash used in investing activities		**(36)**	(13)
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings	16	**(28)**	300
Net cash inflows from equity placing	18	**–**	1,144
Net cash from financing activities		**(28)**	1,444
Net (decrease) in cash and cash equivalents		**(308)**	(255)
Net cash and cash equivalents at beginning of period		**588**	843
Net cash and cash equivalents at end of period		**280**	588
Analysis of net funds			
Cash and cash equivalents		**280**	588
Borrowings due within one year		**(272)**	(300)
Net funds	(ii)	**8**	288

Note (i)

Reconciliation of operating loss to net cash from operating activities	2018 £000	2017 £000
Operating loss	**(569)**	(863)
Share based payment charge	**19**	14
Decrease/(Increase) in trade and other receivables	**374**	20
(Decrease)/Increase in trade and other payables	**(68)**	(1,091)
Impairment of investment	**–**	228
Loss/(Profit) on disposal of investment (note 12)	**–**	6
Net cash used operating activities	**(244)**	(1,686)

Note (ii)

Reconciliation of movement of debt	2018 £000	2017 £000
Net (decrease)/increase in cash and cash equivalents	**(308)**	(255)
New Borrowings	**–**	(300)
Repayment of Borrowings	**28**	–
Movement in Borrowings for the Period	**(280)**	(555)
Net Borrowings at the Start of the Period	**288**	843
Net Borrowings at the end of the Period	**8**	288

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

Notes to the Financial Statements

for the year ended 31 December 2018

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" or "the Company") 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 loss from continued operations in the year to 31 December 2018 of £0.7m compared with an operating loss of £1.6m in 2017. In September 2017 the Group raised £1.2m of new equity (before expenses) from existing institutional shareholders which has enabled the business to restructure further, to hire additional fee generating staff across the Group and to provide a more stable working capital position.

The Consolidated Statement of Financial Position shows a net asset position at 31 December 2018 of £1.3m (2017: £2m) with cash at bank of £0.7m (2017: £0.7m). At the date that these financial statements were approved the Group had no overdraft facility, and secured loan notes of £0.3m and its receivable finance (Leumi ABL) which is 100% secured by the Group's trade receivables.

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.

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 2018 but did not have a material impact on the financial statements:

- IFRS 2 (amendment) clarification on share based payments
- IFRS 4 (amendment) Applying IFRS 9 with IFRS 4
- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

(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 2019:

- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration Mandatory for accounting periods commencing on or after 1 January 2019:
- IFRS 16 – Leases

Notes to the Financial Statements

continued

1. Significant accounting policies continued continued

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

This standard addresses the definition of a lease, recognition and measurements of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17, 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted, subject to EU endorsement and the entity adopting IRS 15,'Revenue from contracts with customers', at the same time.

The Group does not have a significant operating lease commitment based on existing operating leases under IAS 17, and the directors estimate that, if IFRS 16 were implemented on 1 January 2018 a material adjustment would not be required to land and buildings together with the provision of an additional material lease liability. In future periods, the operating lease charge would be replaced by a depreciation charge that is not expected to be materially different. The directors are in the process of reviewing contracts to identify any additional lease arrangements that would need to be recognised under IFRS 16.

The Directors do not expect that the adoption of the Standards 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 continued

1.2 Basis of consolidation and business combinations 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% – 33% 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.

Notes to the Financial Statements

continued

1. Significant accounting policies continued 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 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.

(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.

Notes to the Financial Statements

continued

1. Significant accounting policies continued continued

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

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 IFRS2, 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:

2.1 Interest rate risk

The Group's interest rate risk arises from short term borrowings issued at a variable interest rate. At 31 December 2018 the balance outstanding on the invoice discounting facility was £0.8 million (2017: £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:

2018	NBES £000	NBLC £000	NBS £000	NBIM £000	Disc. Operation £000	Un-allocated £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)**

2017	NBES £000	NBLC £000	NBS £000	NBIM £000	Disc. Operation £000	Un-allocated £000	Total £000
Revenue	3,061	728	842	1,892	–	–	6,523
Cost of sales	(66)	(212)	(25)	(1,181)	–	–	(1,484)
Gross profit	**2,995**	**516**	**817**	**711**	**–**	**–**	**5,039**
Operating expenses	(3,954)	(215)	(824)	(942)	–	(627)	(6,562)
Depreciation and amort.	(31)	(1)	(4)	(1)	–	–	(37)
Finance costs	(15)	(6)	(3)	(5)	–	(13)	(42)
Profit/(Loss) before tax	**(1,005)**	**294**	**(14)**	**(237)**	**–**	**(640)**	**(1,602)**

(ii) Revenue and gross profit by geography

	Revenue 2018 £000	Revenue 2017 £000	**Gross Profit 2018 £000**	Gross Profit 2017 £000
United Kingdom	8,671	6,196	5,901	4,712
Rest of the world	743	327	743	327
Total	**9,414**	**6,523**	**6,644**	**5,039**

Notes to the Financial Statements

continued

4. Loss on ordinary activities before taxation

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation and impairment of property, plant and equipment	**60**	37
Gain on foreign currency exchange	**–**	–
Staff costs (see note 5)	**5,332**	4,652
Operating lease rentals:		
Land and buildings	**270**	409
Auditors' remuneration:		
Audit work	**47**	45
Non-audit work	**–**	–

The Company audit fee in the year was £47,000 (2017: £45,000).

5. Staff costs

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

	2018 No.	2017 No.
Sales and related services	**37**	32
Administration	**18**	17
	55	49

Staff costs (for the above persons):

	£'000	£'000
Wages and salaries	**4,746**	4,037
Social security costs	**567**	458
Defined contribution pension cost	**142**	143
Share based payment expense	**19**	14
	5,474	4,652

The emoluments of the directors are disclosed as required by the Companies Act 2006 on page 21 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.

6. Tax expense

(a) Tax charged in the income statement

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

	2018 £'000	2017 £'000
Current tax:		
United Kingdom corporation tax at 19% (2017: 19%) based on loss for the year	**–**	–
Foreign Tax	**–**	–
Total current tax	**–**	–
Deferred tax:		
Origination and reversal of temporary differences	**–**	–
Tax charge/(credit)	**–**	–

Notes to the Financial Statements

continued

6. Tax expense continued

(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:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	**(763)**	(1,602)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2017: 19%)	**(145)**	(305)
Effects of:		
Expenses not deductible	**17**	23
Substantial shareholding exemption		
Capital allowances in excess of depreciation	**6**	4
Provision Movement	**1**	–
Pension accrual movement	**(2)**	(3)
Losses bought forward utilised	**(30)**	(56)
Adjustment to losses carried forward	**153**	337
Current tax charge for the year	**–**	–

(c) Deferred tax

	Tax losses £'000	Total £'000
At 1 January 2018	**(69)**	(69)
At 31 December 2018	**(69)**	(69)
Credited to the income statement in 2018		
At 31 December 2018	**(69)**	(69)

At 31 December 2018 the Group had capital losses carried forward of £8,130,000 (2017: £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 £14,133,106 (2017: £13,510,042) trading losses carried forward, which includes £8,987,000 losses transferred from BNB Recruitment Consultancy Ltd in 2011. A deferred tax asset of £1,285,075 (2017: £1,288,061) 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:

	2018 £'000	2017 £'000
Deferred tax assets:		
Tax losses carried forward	**69**	69
Total	**69**	69

Notes to the Financial Statements

continued

7. Net finance cost

	2018 £'000	2017 £'000
Interest payable on Loan Notes and Invoicing facility	**77**	42
Total	**77**	42

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:

	2018	2017
Loss attributable to owners of the company	**(763,000)**	(1,543,350)
Weighted average number of ordinary shares	**53,885,570**	43,882,363
Total	**53,885,570**	43,882,363

(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 2018 and 2017 have both profitability and share price exercise criteria.

	2018	2017
Loss attributable to owners of the company	**(763,000)**	(1,543,350)
Weighted average number of ordinary shares	**53,885,570**	43,882,363
Total	**53,885,570**	43,882,363

(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.

		2018			2017	
	£000	**Basic pence per share**	**Diluted pence per share**	£000	Basic pence per share	Diluted pence per share
Basic earnings						
Loss after tax	**(763)**	**(1.42)**	**(1.42)**	(1,543)	(3.52)	(3.52)
Adjustments						
Share based payment charge	**19**	**0.04**	**0.04**	14	0.04	0.04
Adjusted earnings	**(744)**	**(1.38)**	**(1.38)**	(1,529)	(3.48)	(3.48)

Notes to the Financial Statements

continued

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 £605,000 (2017: £875,000).

10. Intangible assets

	Goodwill arising on consolidation £'000
Group	
Balance at 1 January 2017	3,690
Balance at 31 December 2017	3,690
Balance at 31 December 2018	**3,690**
Provision for impairment	
Balance at 1 January 2017	2,327
Balance at 31 December 2017	2,327
Balance at 31 December 2018	**2,327**
Net book value	
At 1 January 2017	1,363
At 31 December 2017	1,363
At 31 December 2018	**1,363**

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 2017	1,303	60	1,363
At 31 December 2017	1,303	60	1,363
At 31 December 2018	**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 30, 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 2018 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 10% per annum for the foreseeable future (2017: 10%) and 19% for Norman Broadbent Leadership Consulting (2017: 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 9% (2017: 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 2018 the recoverable value of the Norman Broadbent CGU is £1,563,000 and the Norman Broadbent Leadership Consulting CGU is £299,000.

Notes to the Financial Statements

continued

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 2017	84	146	57	287
Additions	–	16	–	16
Disposals	–	–	–	–
Balance at 31 December 2017	84	162	57	303
Additions	–	14	154	168
Disposals	–	–	–	–
Balance at 31 December 2018	**84**	**176**	**211**	**471**
Accumulated depreciation				
Balance at 1 January 2017	62	110	47	219
Charge for the year	16	18	3	37
Disposals	–	–	–	–
Balance at 31 December 2017	78	128	50	256
Charge for the year	5	14	41	60
Disposals	–	–	–	–
Balance at 31 December 2018	**83**	**142**	**91**	**316**
Net book value				
At 1 January 2017	22	36	10	68
At 31 December 2017	6	34	7	47
At 31 December 2018	**1**	**34**	**120**	**155**

The Group had no capital commitments as at 31 December 2018 (2017: £Nil).

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

Notes to the Financial Statements

continued

12. Investments

Company	Shares in subsidiary undertakings £'000
Cost	
Balance at 1 January 2017	5,802
Disposals (see note below)	(6)
Balance at 31 December 2017	5,796
Disposals	–
Balance at 31 December 2018	**5,796**
Provision for impairment	
Balance at 1 January 2017	3,926
Impairment for the year	227
Balance at 31 December 2017	4,153
Impairment for the year	–
Balance at 31 December 2018	**4,153**
Net book value	
At 1 January 2017	1,876
At 31 December 2017	1,643
At 31 December 2018	**1,643**

In 2017, the Company wrote off the value of dormant overseas subsidiaries.

At 31 December 2018 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 Portland House, Bressenden Place London SW1E 5BH with the exception of Norman Broadbent Ireland Limited.

Notes to the Financial Statements

continued

13. Trade and other receivables

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Trade receivables	**2,076**	1,371	**–**	–
Less: provision for impairment	**–**	–	**–**	–
Trade receivables – net	**2,076**	1,371	**–**	–
Other debtors	**98**	334		5
Prepayments and accrued income	**136**	583	**208**	283
Due from Group undertakings	**–**	–	**5,050**	5,344
Total	**2,310**	2,288	**5,258**	5,632
Non-Current	**135**	195	**135**	195
Current	**2,175**	2,093	**5,123**	5,437
	2,310	2,288	**5,258**	5,632

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

As at 31 December 2018, Group trade receivables of £1,885,000 (2017: £838,000), were past their due date but not impaired. They relate to customers with no default history. The aging profile of these receivables is as follows:

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Up to 3 months	**1,747**	820	**–**	–
3 to 6 months	**120**	18	**–**	–
6 to 12 months	**18**	–	**–**	–
Total	**1,885**	838	**–**	–

The largest amount due from a single trade debtor at 31 December 2018 represents 8% (2017: 14%) of the total trade receivables balance outstanding.

As at 31 December 2018, no group trade receivables (2017: no group trade receivables) were considered impaired. No provision for impairment has been recognised in the financial statements. Movements on the Group's provision for impairment of trade receivables are as follows:

	2018 £'000	**2017 £'000**
At 1 January	**–**	14
Provision for receivable impairment	**–**	–
Receivables written-off as uncollectable	**–**	(14)
At 31 December	**–**	–

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

continued

14. Cash and cash equivalents

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Cash at bank and in hand	**684**	678	**280**	588
Total	**684**	678	**280**	588

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		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Trade payables	**650**	602	**80**	51
Due to Group undertakings	**–**	–	**1,437**	1,521
Other taxation and social security	**765**	292	**–**	–
Other payables	**35**	21	**–**	–
Accruals	**575**	264	**45**	58
Total	**2,025**	1,179	**1,562**	1,630

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		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Maturity profile of borrowings				
Current				
Bank overdrafts and interest bearing loans:				
Invoice discounting facility (see note (a) below)	**776**	851	**–**	–
Secured Loan notes	**272**	300	**272**	300
Total	**1,048**	1,151	**272**	300

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

	Carrying amount		Fair value	
	2018 £000	2017 £000	**2018 £000**	2017 £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

16. Borrowings continued

(a) **Invoice discounting facilities:**

Norman Broadbent Executive Search Limited, NBS, NBIM and NBLC operate independent invoice discounting facilities, provided by Leumi ABL Limited. Leumi ABL Ltd holds all assets debentures for each company (fixed and floating charges) and also a cross corporate guarantee and indemnity deed dated 20 July 2011. 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 75% against trade receivables of Norman Broadbent Executive Search Limited that are aged less than 120 days, with the facility capped at £1,500,000. At 31 December 2018, the outstanding balance on the facility of £369,969 (2017: £456,291) was secured by trade receivables of £860,137 (2017: £555,244). Interest is charged on the drawn down funds at a rate of 2.40% (2017: 2.40%) above the bank base rate.

Norman Broadbent Solutions Limited:

Funds are available to be drawn down at an advance rate of 75% against trade receivables of Norman Broadbent Solutions Limited that are aged less than 120 days, with the facility capped at £750,000. At 31 December 2018, the outstanding balance on the facility of £139,813 (2017: £136,271) was secured by trade receivables of £263,604 (2017: £166,500). Interest is charged on the drawn down funds at a rate of 2.40% (2016: 2.40%) above the bank base rate.

Norman Broadbent Interim Management Limited:

Funds are available to be drawn down at an advance rate of 75% against trade receivables of Norman Broadbent Interim Management Limited that are aged less than 120 days, with the facility capped at £750,000. At 31 December 2018, the outstanding balance on the facility of £246,441 (2017: £225,454) was secured by trade receivables of £701,821 (2017: £251,076). Interest is charged on the drawn down funds at a rate of 2.40% (2016: 2.40%) above the bank base rate.

Norman Broadbent Leadership Consulting

Funds are available to be drawn down at an advance rate of 75% against trade receivables of Norman Broadbent Leadership Consulting Limited that are aged less than 120 days, with the facility capped at £500,000. At 31 December 2018 the outstanding balance on the facility of £19,861 (2017: £33,113) was secured by trade receivables of £50,474 (2017: £38,659). Interest is charged on the drawn down funds at a rate of 2.40% 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% up to its 31 October 2018 redemption date. With effect from 1 November 2018 the interest rate is 20%

Notes to the Financial Statements

continued

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.

Group	Amortised Cost **2018** **£000**	 2017 £000
Financial assets		
Trade and other receivables	**2,204**	1,965
Financial Liabilities		
Trade and other payables	**2,027**	1,179
Secured loan notes	**272**	300
Invoice discounting facility	**776**	851

Company	Amortised Cost **2018** **£000**	 2017 £000
Financial Assets		
Trade and other receivables	**5,058**	5,609
Financial Liabilities		
Trade and other payables	**1,562**	1,630
Secured loan notes	**272**	300

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.

18. Share capital and premium

	2018 **£'000**	**2017** **£'000**
Allotted and fully paid:		
Ordinary Shares:		
53,885,570 Ordinary shares of 1.0p each (2017: 53,885,570)	**539**	539
Deferred Shares:		
23,342,400 Deferred A shares of 4.0p each (2017: 23,342,400)	**934**	934
907,118,360 Deferred shares of 4.0p each (2017: 907,118,360)	**3,628**	3,628
1,043,566 Deferred B shares of 42.0p each (2017: 1,043,566)	**438**	438
2,504,610 Deferred shares of 29.0p each (2017: 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 parri passu with or in priority to the Deferred A Shares.

Notes to the Financial Statements

continued

18. Share capital and premium continued

Deferred Shares of 4.0p 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 parri passu with or in priority to the Deferred B Shares.

Deferred 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 £000	Deferred shares £000	Share premium £000	Total £000
At 1 January 2017	41,633	416	5,727	12,685	18,828
Proceeds from share placing (note (a) below)	12,252	123	–	1,021	1,144
At 31 December 2017	**53,885**	**539**	**5,727**	**13,706**	**19,972**
At 31 December 2018	**53,885**	**539**	**5,727**	**13,706**	**19,972**

(a) Share placing September 2017

On 29 September 2017, the Company issued 12,252,250 new ordinary 1.0p shares for a total cash consideration of £1,225,225. Transaction costs of £81,444 were incurred resulting in net cash proceeds of £1,143,781.

Notes to the Financial Statements

continued

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 2017	**16.21**	**4,217,887**
Granted	13.50	380,951
Forfeited	18.95	(1,500,327)
At 31 December 2017	**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**

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

	Exercise price	**Share options**	
Expiry date	**per share (p)**	**2018**	2017
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 (2017: 3,098,511), no options were exercisable at the year end (2017: None) as they were all 'underwater'.

The significant inputs into the model in valuing the 2018 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% (2017 and 2016: 0%), an expected option life of 10 years (2017 and 2016: 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. Minimal share options were granted during 2018, therefore the same assumptions were used as per the prior year. There was no significant change in the company or shareholding during 2018.

Notes to the Financial Statements
continued

20. Leases

Operating leases

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

As at 31 December 2018, the total future value of minimum lease payments due are as follows:

	Land and buildings	
	2018	2017
	£000	£000
Within one year	**160**	82
Later than one year and not later than five years	**32**	–
Total	**192**	82

21. Provisions

	Group	
	2018	**2017**
	£'000	**£'000**
At 1 January	**125**	125
Provisions made during the year	**115**	–
At 31 December	**240**	125
Current liability	**240**	125
Non-current liability	**–**	–
At 31 December	**240**	125

The Company moved its head office in April 2018. Under the terms of the previous lease the Company is obliged to return vacant possession to the landlord with the office returned to its original state. The Company is currently in negotiations with the Landlord as to the value of a settlement.

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 £141,000 (2017: £142,000). At the year end £19,000 of contributions were outstanding (2017: £10,000).

Notes to the Financial Statements

continued

23. Related Party Transactions

The following transactions were carried out with related parties:

(a) Purchase of services:

	2018 £000	2017 £000
Brian Stephens & Company Ltd	**20**	24
Total	**20**	24

Brian Stephens & Company Ltd invoiced the Group for the provision of services of B Stephens of £20,000 (2017 total: £24,000). 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 pages 14 to 16.

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

	2018 £000	2017 £000
Brian Stephens & Company Ltd	**2**	6
Total	**2**	6

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 £377,000 (2017: £122,000).

Notice of Annual General Meeting

Notice is hereby given that the 80th Annual General Meeting ("AGM") of Norman Broadbent plc will be held at 10am 10th Floor, Portland House Bressenden Place London SW1E 5BH on 22 July 2019 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 2018 together with the reports of the Directors and Auditors thereon.
2. To re-elect M Brennan, 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 F McAnena, who only holds office until the date of this AGM in accordance with the articles of the Company and who automatically offers herself 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
Company Secretary

Registered Office
10th Floor, Portland House
Bressenden Place
London SW1E 5BH
www.normanbroadbent.com

27 June 2019

Notice of Annual General Meeting

continued

Notes:

1. 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.

2. 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 notarially) 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 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.

3. 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.

4. 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.

5. 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.

Notice of Annual General Meeting

continued

6. 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.

7. 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.

8. Any member attending the meeting 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.

9. Completion and return of the form of proxy will not preclude members from attending or voting in person at the meeting if they so wish. You can also register your vote 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

BRIAN STEPHENS
Non-Executive Director

FIONA MCANENA
Non-Executive Director

Professional Advisers

COMPANY SECRETARY
Richard Robinson

REGISTERED OFFICE
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London SW1E 5BH

COMPANY NUMBER
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