

Registered Number: 02569728

## Klesch & Company Limited

Consolidated Financial Statements  
for the year ended 31 December 2018

**Registered Office:**  
16 Palace Street  
London  
SW1E 5JD



# Klesch & Company Limited

## Contents page

Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated and company statement of changes in equity	10
Consolidated cash flow statement	11
Notes to the consolidated financial statements	12 - 26
Appendix 1: Pillar 3 Risk disclosure	27 - 28

# Klesch & Company Limited

## Strategic report for the year ended 31 December 2018

The directors present their Strategic report for the year ended 31 December 2018.

### Principal Activities

The Company's main activity is the sourcing of potential acquisition targets and, as appropriate, managing the acquisition process on behalf of clients. All clients are connected parties. Klesch focuses primarily on acquiring businesses in Metals and Mining, Oil and Gas, Power Generation, Chemicals, Traditional Industrials and Infrastructure Sectors. The Company also offers management and commercial services to entities within the Klesch Group.

Based in London, England, the Company's activities are regulated by the Financial Conduct Authority (formerly the Financial Services Authority).

### Key Performance Indicator

The directors consider the profit before tax as the key financial target against which the performance of the company is measured.

### Results and Dividends

The consolidated profit and loss account for the Group is set out on page 7. Overall the financial results for the year were satisfactory, with turnover at £4,934,000 (2017: £5,599,225) and profit before taxation at £11,501 (2017: £15,080). The directors do not recommend the payment of a dividend (2017: £nil). The profit after taxation for the year of £8,300 (2017: £10,709) will be transferred to retained profit.

### Business Review and Future Prospects

During the year under review, the business of the Company developed in a satisfactory manner, with a continued expansion of the Company's international network of senior level business contacts relevant to the sourcing of future deal-flow opportunities for the Company. The nature of the Company's experience and expertise in corporate restructurings and turnarounds will enable it to take advantage of the continuing softness in the international economic environment and the financial markets generally in 2019.

### Principal Risks and Uncertainties

The principal risk of the Company would be if the debtors became uncollectible. This risk is managed by reviewing the debtors on an ongoing basis and any outstanding debtors (all of which are related parties, under common beneficial ownership) are chased to ensure timely settlement. There have been no bad debts identified to date.

On behalf of the board



**E C Horne**

Director

29 March 2019

# Klesch & Company Limited

## Directors' report for the year ended 31 December 2018

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

### Directors

The directors of the Company, both of whom had been directors for the whole financial year, as at 31 December 2018 are listed below.

A G E Klesch – Chairman

E C Horne

### Directors' Interests

The interests of the directors in shares of the Company were:

	2018	2017
	£	£
Ordinary Shares of £1 each		
A G E Klesch	<u>93,000</u>	<u>93,000</u>

### Close Company Provisions

The Company is a close company as defined by the provision of the Income and Corporation Taxes Act 1988. There has been no change in this respect since 31 December 2017.

### Donations

During the year the Company made £nil (2017: £300) charitable donations.

### Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period.

# Klesch & Company Limited

## **Directors' report for the year ended 31 December 2018 (continued)**

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

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

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

The directors confirm that:

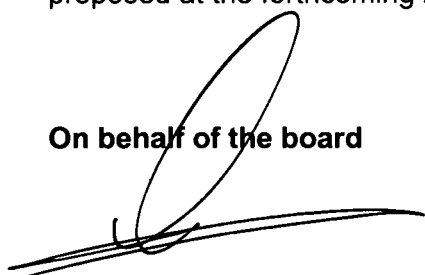
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information; and

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

### **Auditors**

A resolution to reappoint Grant Thornton UK LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

**On behalf of the board**



**E C Horne**  
Director

29 March 2019

# Klesch & Company Limited

## Independent auditor's report to the members of Klesch & Company Limited

### Opinion

We have audited the financial statements of Klesch & Company Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated and company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group'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.

# Klesch & Company Limited

## **Independent auditor's report to the members of Klesch & Company Limited (continued)**

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matter on which we are required to report under the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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.

# Klesch & Company Limited

## Independent auditor's report to the members of Klesch & Company Limited (continued)

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the 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.



**David Pearson**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

**29 March 2019**



# Klesch & Company Limited

## Consolidated profit and loss account For the year ended 31 December 2018

	Notes	2018 £	2017 £
<b>Turnover</b>	4	<b>4,934,000</b>	5,599,225
Other income		<b>236,246</b>	236,247
Net operating expenses	6	<u><b>(5,157,688)</b></u>	<u>(5,818,620)</u>
<b>Operating profit</b>	5	<b>12,558</b>	16,852
Interest receivable and similar income	7	<b>71</b>	726
Interest payable and similar charges	8	<u><b>(1,128)</b></u>	<u>(2,498)</u>
<b>Profit before taxation</b>		<b>11,501</b>	15,080
Taxation	11	<u><b>(3,201)</b></u>	<u>(4,371)</u>
<b>Profit for the financial year</b>	19	<u><b>8,300</b></u>	<u>10,709</u>

The Group had no gains or losses other than those included in the profit and loss account above. Therefore no separate statement of comprehensive income has been presented.

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

All amounts relate to continuing operations.

# Klesch & Company Limited

## Consolidated balance sheet At 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	12	<u>43,175</u>	<u>93,554</u>
		<b>43,175</b>	<b>93,554</b>
<b>Current assets</b>			
Debtors: due within one year	14	<b>502,761</b>	965,073
Cash at bank and in hand		<u><b>1,351,073</b></u>	<u>998,085</u>
		<b>1,853,834</b>	<b>1,963,158</b>
<b>Creditors</b>			
Amounts falling due within one year	15	<u><b>704,450</b></u>	<u>831,327</u>
		<b>704,450</b>	<b>831,327</b>
<b>Net current assets</b>		<u><b>1,149,384</b></u>	<u><b>1,131,831</b></u>
Creditors: Amounts falling due after more than one year	16	<u>-</u>	<u>41,126</u>
<b>Net assets</b>		<u><b>1,192,559</b></u>	<u><b>1,184,259</b></u>
<b>Capital and reserves</b>			
Called up share capital	18	<b>93,000</b>	93,000
Retained profit	19	<u><b>1,099,559</b></u>	<u>1,091,259</u>
<b>Shareholders' funds</b>	20	<u><b>1,192,559</b></u>	<u><b>1,184,259</b></u>

The financial statements on pages 12 to 26 were approved by the board of directors on 29 March 2019 and were signed on its behalf by:



**E C Horne**  
Director

Registered Company Number: 02569728

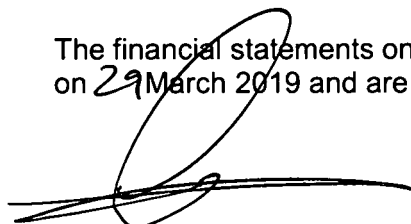
# Klesch & Company Limited

## Company balance sheet At 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	12	43,175	93,554
Investment in subsidiaries	13	<u>5,003</u>	<u>5,003</u>
		<b>48,178</b>	<b>98,557</b>
<b>Current assets</b>			
Debtors: due within one year	14	502,761	965,073
Cash at bank and in hand		<u>1,351,073</u>	<u>998,085</u>
		<b>1,853,834</b>	<b>1,963,158</b>
<b>Creditors</b>			
Amounts falling due within one year	15	<u>709,453</u>	<u>836,330</u>
		<b>709,453</b>	<b>836,330</b>
<b>Net current assets</b>		<u><b>1,144,381</b></u>	<u><b>1,126,828</b></u>
Creditors: Amounts falling due after more than one year	16	<u>-</u>	<u>41,126</u>
<b>Net assets</b>		<u><b>1,192,559</b></u>	<u><b>1,184,259</b></u>
<b>Capital and reserves</b>			
Called up share capital	18	93,000	93,000
Retained profit	19	<u>1,099,559</u>	<u>1,091,259</u>
<b>Shareholders' funds</b>	20	<u><b>1,192,559</b></u>	<u><b>1,184,259</b></u>

During the year, the Company made a total comprehensive profit of £8,300 (31 December 2017: £10,709).

The financial statements on pages 12 to 26 were approved by the board of directors on 29 March 2019 and are signed on its behalf by:



**E C Horne**  
Director

Registered Company Number: 02569728

# Klesch & Company Limited

## Consolidated and company statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Profit and loss account	Total
	£	£	£
<b>At 1 January 2017</b>	<b>93,000</b>	<b>1,080,550</b>	<b>1,173,550</b>
Profit and total comprehensive income for the year	-	10,709	10,709
<b>At 31 December 2017</b>	<b>93,000</b>	<b>1,091,259</b>	<b>1,184,259</b>
Profit and total comprehensive income for the year	-	8,300	8,300
<b>At 31 December 2018</b>	<b>93,000</b>	<b>1,099,559</b>	<b>1,192,559</b>

# Klesch & Company Limited

## Consolidated cash flow statement for the year ended 31 December 2018

	2018 £	2017 £
<b>Cash from operating activities</b>		
Profit for the financial year	8,300	10,709
Depreciation of tangible fixed assets	56,102	55,454
Decrease in debtors	461,066	679,479
(Decrease)/Increase in creditors	(113,745)	131,555
Foreign exchange gain	2,094	2,837
Taxation	3,201	4,371
Interest received	(71)	(726)
Interest paid	1,128	2,498
<b>Cash inflow/(outflow) from operations</b>	<b>418,075</b>	<b>886,177</b>
Taxation (Paid)	(3,740)	(3,858)
<b>Net cash inflow/(outflow) generated from operating activities</b>	<b>414,335</b>	<b>882,319</b>
<b>Cash flows from investing activities</b>		
Purchases of tangible assets	(5,724)	(791)
Interest received	71	726
<b>Net cash from investing activities</b>	<b>(5,653)</b>	<b>(65)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,128)	(2,498)
Repayment of capital element of finance leases	(52,472)	(49,893)
<b>Net cash from financing activities</b>	<b>(53,600)</b>	<b>(52,391)</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>355,082</b>	<b>829,863</b>
Foreign exchange	(2,094)	(2,837)
<b>Cash and cash equivalents at the beginning of year</b>	<b>998,085</b>	<b>171,059</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,351,073</b>	<b>998,085</b>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018

### **1 Company Information**

Klesch & Company Limited ('the Company') is a limited liability company and was incorporated on the 19 December 1990 in the United Kingdom. The address of its registered office is 16 Palace Street, London, SW1E 5JD.

### **2 Basis of Preparation and statement of compliance**

#### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 and with the companies Act 2006.

#### **2.2 Principal accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The financial statements are presented in Sterling (£).

##### **2.2.1 Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, and on the going concern basis.

After reviewing the Companies forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

##### **2.2.2 Basis of consolidation**

These consolidated financial statements include those of the Company and all of its subsidiaries. None of the subsidiaries have traded during the year ended 31 December 2018.

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 2.2.3 Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write the cost of tangible fixed assets down to their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Furniture, fixtures and office equipment are depreciated on a 3 year straight line basis.

Leased tangible fixed assets are depreciated over the life of the lease.

### 2.2.4 Investments

Investments in subsidiaries are stated at cost.

### 2.2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.2.6 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.2.7 Finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 2.2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash equivalents comprise short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value and have an original maturity of three months or less.

Bank overdrafts are classified as short term borrowings in current liabilities in the statement of financial position.

### 2.2.9 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised as a current year expense, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.2.10 Pension

The Company operates a stakeholder defined contribution pension scheme for the benefit of employees and directors. The scheme is administered by the pension provider Aviva.

### 2.2.11 Turnover

Turnover, which excludes value added tax, represents commission receivable and the value of services supplied, and is recognised when the right to the consideration is established.



# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 2.2.12 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate. Interest income is recognised within the consolidated profit and loss statement for all interest bearing financial instruments on an accrual basis using the effective interest method.

### 2.2.13 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Sterling (£) at the exchange rates prevailing at the balance sheet date. Trading exchange gains and losses are included in net operating expenses.

## 3 Significant judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from management estimates, and our estimates can be revised in the future, either negatively or positively, depending upon the outcome or changes in expectations based on the facts surrounding each estimate.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

### 3.1 Useful lives of furniture, fixtures and office equipment

The estimation of the useful life of an item of furniture, fixtures and office equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates (see note 12).

### 3.2 Impairment testing of fixed assets

The Company analyses the indicators for impairment and performs tests of impairment for the property, plant and equipment of the Company wherein at each reporting date the recoverable value of the property, plant and equipment (which is higher of value in use and the fair value less cost to sell) with the carrying value of those assets is compared. At 31 December 2018, the value in use was significantly above the carrying values and there was no impairment to be recorded in the financial statements (see note 12).

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 3.3 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies (see note 17).

### 4 Turnover

Turnover consists principally of management fees for services charged to connected parties and which arise wholly from within Europe. Of the total turnover of £4,934,000, £1,380,000 arises from the United Kingdom and the balance from the rest of Europe.

### 5 Operating profit

Operating profit is stated after charging:	2018 £	2017 £
Depreciation of tangible fixed assets – owned	4,243	3,595
Depreciation of tangible fixed assets – held under finance leases and hire purchase contracts	51,859	51,859
Fees payable to the Company's auditors for the audit of the annual financial statements	16,000	15,500
Fees payable to the Company's auditors for services related to taxation	7,500	6,200
Fees payable to the Company's auditors for other assurance services	4,000	4,000
Exchange loss	<u>2,094</u>	<u>2,837</u>

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The holding company's retained profit for the financial year was £8,300 (2017: £10,709).

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 6 Analysis of net operating expenses

	2018	2017
	£	£
Personnel expenses	3,631,768	3,951,818
Office expenses	1,381,652	1,564,837
Others	144,268	301,965
	<u>5,157,688</u>	<u>5,818,620</u>

### 7 Interest receivable

	2018	2017
	£	£
Interest received from external banks	71	47
Interest received from related parties	-	679
	<u>71</u>	<u>726</u>

### 8 Interest payable and similar charges

	2018	2017
	£	£
Finance leases & hire purchase contracts	1,128	2,498
	<u>1,128</u>	<u>2,498</u>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 9 Directors' emoluments

	2018	2017
	£	£
Aggregate emoluments (including benefits in kind)	392,000	375,000
Pension contributions	10,000	10,000
Total directors' aggregate emoluments	<u>402,000</u>	<u>385,000</u>

The highest paid director received remuneration of £392,000 (2017: £375,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2017: £10,000).

The Company operates a stakeholder defined contribution pension scheme for the benefit of employees and directors. The scheme is administered by the pension provider Aviva.

### 10 Employee information

The average monthly number of persons (including executive directors) employed by the Company and the group during the year was:

	2018	2017
By activity	Number	Number
Executive directors	2	2
Administration	24	28
	<u>26</u>	<u>30</u>

	2018	2017
Staff costs (for the above persons)	£	£
Salaries	2,920,825	3,209,762
Social security costs	394,905	426,303
Pension contributions	150,468	160,362
	<u>3,466,198</u>	<u>3,796,427</u>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 11 Taxation

	2018	2017
	£	£
<b>Corporation Tax</b>		
At 19% (2017: 19.25%)	<b>1,954</b>	3,741
Prior year adjustments	-	-
Total current tax	<b>1,954</b>	3,741
Deferred tax - current year	<b>1,247</b>	630
	<b>3,201</b>	<b>4,371</b>

The factors affecting the total tax charge are as follows:

	2018	2017
	£	£
<b>Profit before taxation</b>	<b>11,501</b>	15,080
Theoretical tax at UK Corporation Tax rate of 19% (2017: 19.25%)	<b>2,185</b>	2,903
Effects of:		
- Other expenditure which is not tax deductible	<b>1,163</b>	681
- Differences in tax rates	<b>(147)</b>	787
Actual total tax charge	<b>3,201</b>	<b>4,371</b>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 12 Tangible fixed assets: group and company

	Computer Equipment £	Total £
<b>Cost</b>		
At 1 January 2018	797,383	797,383
Additions	5,724	5,724
<b>At 31 December 2018</b>	<u>803,107</u>	<u>803,107</u>
At 1 January 2018	703,829	703,829
Charge for year	56,102	56,102
<b>At 31 December 2018</b>	<u>759,931</u>	<u>759,931</u>
<b>Net book value</b>		
<b>At 31 December 2018</b>	<u>43,175</u>	<u>43,175</u>
At 31 December 2017	<u>93,554</u>	<u>93,554</u>

### 13 Investment in subsidiaries

	2018 £	2017 £
Investment in subsidiaries	<u>5,003</u>	<u>5,003</u>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 13 Investment in subsidiaries (continued)

The subsidiaries all of which are owned by the Company are:-

	Nature of Business	Class of Shares	Proportion Held	Country of Incorporation
Klesch Investment Management Company Limited	Dormant	Ord £1	100%	England and Wales
Klesch Administration Company Limited	Dormant	Ord £1	50%	England and Wales
Milford Haven Refining Limited (formerly - Klesch European Reconstruction Limited)	Dormant	Ord £1	100%	England and Wales
Klesch Trading Limited	Dormant	Ord £1	100%	England and Wales

### 14 Debtors: group and company

	2018	2017
	£	£
<b>Amounts falling due within one year:</b>		
Amounts owed from commonly controlled entities	238,232	674,019
Other debtors	12,022	63,401
Prepayments	247,803	221,702
Deferred tax asset (note 17)	4,704	5,951
	<u>502,761</u>	<u>965,073</u>

### 15 Creditors: amounts due within one year

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Amounts owed to subsidiaries	-	-	5,003	5,003
Trade creditors	155,524	106,622	155,524	106,622
Corporation tax	1,955	3,741	1,955	3,741
Other tax and social security	443,172	604,405	443,172	604,405
Other creditors and accruals	47,194	42,628	47,194	42,628
Obligations under finance lease	41,126	52,472	41,126	52,472
Customs and Excise	15,479	-	15,479	-
Deferred rent free period allowance	-	21,459	-	21,459
	<u>704,450</u>	<u>831,327</u>	<u>709,453</u>	<u>836,330</u>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 16 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
<b>Group and Company</b>		
Obligations under finance lease	-	41,126
	<u>-</u>	<u>41,126</u>

### 17 Deferred taxation

	2018	2017
	£	£
<b>Deferred tax provided comprises:</b>		
Accelerated capital allowances	<u>4,704</u>	<u>5,951</u>
 The movement in the provision is as follows:		
	£	£
At start of year	5,951	6,582
Charge to the profit and loss account	(1,247)	(631)
At end of year	<u>4,704</u>	<u>5,951</u>

Deferred tax has been provided at 17% (2017: 19%) based on the currently enacted rate of corporation tax effective on 1<sup>st</sup> April 2020.



# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 18 Called-up share capital and reserves

	2018	2017
	£	£
<b>Authorised, allotted, called-up and fully paid:</b>		
Ordinary shares of £1 each	<u>93,000</u>	<u>93,000</u>

For details of the movements in and components of equity see the consolidated statement of changes in equity page 10.

### 19 Profit and loss account: group and company

	2018	2017
	£	£
At 1 January	1,091,259	1,080,550
Profit for the year	<u>8,300</u>	<u>10,709</u>
<b>At 31 December</b>	<u><b>1,099,559</b></u>	<u><b>1,091,259</b></u>

Profit and loss includes all current and prior periods retained profit and losses.

### 20 Reconciliation of movements in shareholders' funds: group and company

	2018	2017
	£	£
Opening equity shareholders' funds	1,184,259	1,173,550
Profit for the financial year	<u>8,300</u>	<u>10,709</u>
Closing equity shareholders' funds	<u><b>1,192,559</b></u>	<u><b>1,184,259</b></u>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### 21 Leasing commitments

The Company entered into an operating lease for its office premises, with the lease expected to terminate in 2023. Future minimum rentals payable under this non-cancellable operating lease at 31 December 2018 are as follows:

	2018 £	2017 £
<b>Commitments expiring:</b>		
Within one year	618,075	618,075
Between two and five years	1,760,385	2,378,460
	<u>2,378,460</u>	<u>2,996,535</u>

The Company entered into an operating sub-lease for a part of its office premises, with the lease expected to terminate in 2023. Future minimum rentals receivable under this non-cancellable operating lease at 31 December 2018 are as follows:

	2018 £	2017 £
<b>Commitments expiring:</b>		
Within one year	260,500	260,500
Between two and five years	800,770	1,042,000
Over five years	-	19,270
	<u>1,061,270</u>	<u>1,321,770</u>

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### **22 Financial risk management**

The Company has exposure to a number of financial risks, primarily being foreign exchange currency risk, credit risk and liquidity risk.

The exposure to these risks is closely monitored by the directors and management of the Company and appropriate mitigating action taken, as and when required.

#### **22.1 Foreign exchange currency risk**

The Company is exposed to currency risk on foreign currency due to some revenue and operating expenses transactions being in currencies others than Sterling (£).

The majority of the Companies transactions are denominated in Sterling (£). The Company does not consider itself to be exposed to any currency risks due to the above situations.

#### **22.2 Credit Risk**

Credit risk refers to the risk exposure that a potential financial loss to the Company may occur if counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers.

All the receivables of the Company are from counterparties with the same beneficial owner.

The Company does not consider itself to be exposed to any credit risks due to the above situations.

#### **22.3 Liquidity Risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an on-going basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.

The Companies approach to managing liquidity is to ensure that it will always have sufficient cash and cash equivalents available to meet anticipated and unanticipated funding needs. Financial obligations are met through operating cashflows.

The Company does not consider itself to be exposed to any liquidity risks due to the above situations.

# Klesch & Company Limited

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

### **23 Related party transactions**

During the year the Company charged fees of £4,934,000 (2017: £5,599,225) to commonly controlled entities for management services provided.

The amounts owing from commonly controlled entities, owned by A G E Klesch at the year-end was £179,174 (2017: £674,019).

The amounts owing to commonly controlled entities, owned by A G E Klesch at the year-end was £8,966 (2017: £nil).

### **24 Ultimate parent undertaking**

In the Board of Directors' opinion, the Company's ultimate controlling party is Mr A G E Klesch.

# Klesch & Company Limited

## Appendix 1

### Pillar 3 risk disclosure

The Company is regulated by the Financial Conduct Authority (formerly the Financial Services Authority).

The European Capital Requirements Directive introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II rules. The Directive was introduced into the UK by the Financial Services Authority ("FSA"). The new framework consisted of three 'pillars'.

- Pillar 1  
This specifies the minimum capital requirements.
- Pillar 2  
This supervisory review process requires an assessment to be made of whether additional capital should be held against risks not covered by Pillar 1.
- Pillar 3  
This introduces public disclosure of qualitative and quantitative information and is designed to promote market discipline by providing market participants with key information on a firm's risk exposures and risk management processes.

The Company is subject to minimum capital requirements based on the fact that it is a full scope BIPRU €730,000 investment firm. The Company is not subject to consolidated reporting with other entities.

The directors and senior managers of the company determine the business strategy and risk appetite together with the design and implementation of a risk management framework. The Company has a Risk Committee which considers the identification and management of appropriate documented procedures with the aim of operating a defined and transparent risk management framework. Additionally as new risks arise, these are dealt with appropriately at the time.

Risk appetite is the degree of risk that senior management are willing to accept without applying further resources and capital to mitigate the risk. Risks are assessed in terms of the probability of the risk occurring after having taken into account any risk mitigation together with the impact. Reasonable steps are taken by the Company to reduce the probability of any risk crystallizing. Furthermore, additional capital resources will be maintained for risks which the Company does not wish to bear.

The Company is small with a simple operational infrastructure. The Company recognises that due to the nature and ownership of its clients, it has some concentration and liquidity risk, but this is mitigated by efficient credit control. Small operational and competition risk is also noted.

# Klesch & Company Limited

The Company follows the standardised approach for the assessment of both market risk and credit risk, using a simplified approach to calculate risk weights for credit risk exposures. It also calculates the total operational risk requirement at Pillar 1 using the operational risk basic indicator approach.

As mentioned above, the Company is a full scope licence €730,000 firm and as such its minimum capital requirement is the greater of:

- The base capital resources requirement of €730,000.
- The variable capital resources requirement which is the sum of market, credit & operational risk requirements.

The approach of the business to assessing the adequacy of its internal capital to support current and future activities is contained in the Internal Capital Adequacy Assessment Process. The base capital resources requirement of €730,000 is deemed by the Company to be sufficient capital to meet its current needs. All known risks, including operational risks, have been assessed and appropriate stress tests and scenario analyses have been undertaken to help determine any additional capital required under Pillar 2. No additional capital is currently required for Pillar 2.

The main features of the Company's capital resources for regulatory purposes are as follows:

<b>Capital item</b>	<b>£</b>
Tier 1 capital less innovative tier 1 capital	1,192,559
Total of tier 2, innovative tier 1 and tier 3 capital	-
<b>Total capital resources, net of deductions</b>	<u><u>1,192,559</u></u>

Since the capital resources requirement of the Company is its base capital resources and not the total of the credit, market and operational risk requirements, disclosures relating to credit, operational, concentration and market risk are considered to be immaterial in assessing the risk exposures assessment processes of the business.

The Company does not have a trading book, the Company does not undertake securitisation, and does not hold any equities in its non-trading book, other than those considered immaterial or confidential.