

Company Registration No. 06802155 (England and Wales)

**CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## COMPANY INFORMATION

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<b>Directors</b>	P A Linley B S Jackson N J Garcea P S Clark P Campbell M Wells	(Appointed 15 April 2020)
<b>Company number</b>	06802155	
<b>Registered office</b>	2230 - 2235 Regents Court The Crescent Birmingham Business Park Birmingham B37 7YE	
<b>Auditor</b>	Spencer Gardner Dickins Audit LLP 3 Coventry Innovation Village Cheetah Road Coventry CV1 2TL	

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# **CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)**

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# **CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present the strategic report for the year ended 31 December 2019.

### **Fair review of the business**

FY 2019 was another significant year in the growth and development of Cappfinity Limited. The company concluded the year with sales bookings of £11.2m (up 10%), revenue of £10.1m (up 16%) and an operating loss (following significant planned investment) of £3.0m. Throughout the year, customers increased from 94 to 137.

### **Koru integration**

Following our acquisition of the assets of Koru Careers Inc. in November 2018, our work in FY 2019 saw the continued integration of the Koru technology platform and the transitioning and onboarding of a number of Koru clients to Cappfinity. This acquisition and client onboarding has enabled us to accelerate our US market entry, client base, reach and learning.

### **US hiring**

During FY 2019 we built out our US team and presence, with hires in both sales and customer success. These teams are all based on the US East Coast, with our geographical and sector focus positioned around our US office location in New York City.

### **Name change**

In November 2019, we changed our company name from Capp & Co Limited to Cappfinity Limited. This decision was taken to enable a consistent global brand across the UK, US, and Australia. 'Cappfinity' was chosen because we wanted to maintain the brand equity and brand heritage we had built up in 'Capp', and created the portmanteau 'Cappfinity' from joining the second part of the word 'affinity', a reflection of what we do in our work, finding the right match for people and companies.

### **Talent Technology Platform**

Throughout FY 2019 we continued our focus on the build of our talent technology platform, including 'Capptivate'. Capptivate enables us to deliver assessments that are branded to the 'look and feel' of a client, with much faster deployment, and increased assessment functionality. Our video capture solution went live in Q2 2019, together with a range of other feature enhancements and new client and candidate functionality.

Overall, the build out of a complete talent technology platform will enable us to shift to a more complete technology subscription model, as opposed to the sale of assessment licences which is core to the SaaS element of the business currently. The talent technology platform will include enhanced assessment functionality (our core competency), recruitment process automation, analytics, and reporting.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### Principal risks and uncertainties

The principal risks and uncertainties faced by the company at the end of 2019 are as follows:

- A major information security breach or technology issue is one of our greatest existential risks, which is managed through appropriate information security protocols including our compliance with ISO 27001.
- The risk of political and economic uncertainty is heightened in the UK while the determination of the course of Brexit is unknown. Any risk to Cappfinity is likely to be of a general economic impact, rather than anything specific to our business model or sector.
- Ensuring the successful deployment of growth capital to ensure that we deliver business growth and sustainable increases in enterprise value is a key risk that we are now managing following the EGP investment. This is particularly the case as we adapt to being loss-making in the short-term but need to ensure a medium- to long-term path to sustainable profitability.
- Ensuring the successful delivery and commercial realisation of the talent technology platform as our major strategic initiative for the future, and the focus of our growth equity investment.
- Managing our investment rates in Australia and the United States, as we navigate the growth of these international divisions through their early stages.
- Managing the flow of bookings through to revenue, as we win bigger projects that are delivered over multiple years and need to be co-ordinated accordingly, especially with increased risk of delay, which is more common with this type of project.
- The change of our business model to focus more on technology licences will have an impact on short-term revenue recognition but will ultimately benefit longer term revenue growth and enterprise value.

### Coronavirus (COVID-19) Impact

At the time of writing, the company is managing the economic impact of coronavirus lockdown which was not anticipated by any company at the close of 2019. Cappfinity is very well equipped for our teams to be able to work remotely from home, and we were able to make this transition without any disruption to our business delivery. However, like all companies, we are likely to be impacted by the drop in economic activity caused by lockdown, and as a result, it is not possible to provide any reasonable forecast for FY 2020 as a whole.

### FY 2020 Outlook

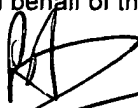
We start FY 2020 with a healthy cash position of £9.7m which underpins our growth plans and investment for the coming year, as well as providing a contingency against the principal risks and uncertainties noted above.

We have successfully integrated our new senior team members as well as growing our resource, capacity and capability across the company as a whole.

Strong bookings in Q4 2019 should flow through into improved revenue performance in the early part of 2020, and we have a good pipeline of opportunities both within our customer base and with potential new customers. However, as noted above, the impact of coronavirus has resulted in an increased level of uncertainty for 2020.

We have a clear roadmap for delivery of the talent technology platform. Execution against this will be critical for our success in FY 2020 and subsequent years, given the shift to technology subscriptions for the talent technology platform that we are driving towards.

On behalf of the board



.....  
P.A. Linley

Director

.....  
28 July 2020

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their annual report and financial statements for the year ended 31 December 2019.

### Principal activities

The principal activity of the group continued to be that of recruitment, development and transformation, and online talent assessment.

On 8 November 2019 the company changed its name to Cappfinity Limited.

Information in relation to risks and uncertainties facing the group has been included in the Strategic Report rather than the Directors' Report.

### Directors

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

P A Linley

B S Jackson

N J Garcea

P S Clark

S O Harrington

(Resigned 16 December 2019)

P Campbell

K Thomas-Bland

(Appointed 4 July 2019 and resigned 25 June 2020)

M Wells

(Appointed 15 April 2020)

### Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £560,000. The directors do not recommend payment of a further dividend.

### Auditor

In accordance with the company's articles, a resolution proposing that Spencer Gardner Dickins Audit LLP be reappointed as auditor of the group will be put at a General Meeting.

### Statement of disclosure to auditor

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

On behalf of the board



P A Linley

Director

Date: 28 July 2020

# **CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and 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 UK Accounting Standards 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 and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

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#### Opinion

We have audited the financial statements of Cappfinity Limited (Previously Capp & Co Limited) (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### 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.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

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

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

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

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

In the light of the knowledge and understanding of the 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 and the directors' report.

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

- adequate accounting records have not been kept 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, 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

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#### 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.

Spencer Gardner Dickins Audit LLP

Susan Thomas-Walls BSc BFP FCA (Senior Statutory Auditor)  
for and on behalf of Spencer Gardner Dickins Audit LLP

29/7/20

Chartered Accountants  
Statutory Auditor

3 Coventry Innovation Village  
Cheetah Road  
Coventry  
CV1 2TL

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

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		2019	2018
	Notes	£	£
Turnover	3	10,104,540	8,695,849
Administrative expenses		(13,130,090)	(9,058,944)
Other operating income		37	826
<b>Operating loss</b>	<b>4</b>	<b>(3,025,513)</b>	<b>(362,269)</b>
Interest receivable and similar income	8	55,348	37,176
Interest payable and similar expenses	9	(1,423)	(5,360)
<b>Loss before taxation</b>		<b>(2,971,588)</b>	<b>(330,453)</b>
Tax on loss	10	496,582	391,229
<b>(Loss)/profit for the financial year</b>	<b>25</b>	<b>(2,475,006)</b>	<b>60,776</b>
<b>Other comprehensive income</b>			
Currency translation differences		38,801	(392)
<b>Total comprehensive income for the year</b>		<b>(2,436,205)</b>	<b>60,384</b>

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(Loss)/profit for the financial year is all attributable to the owners of the parent company.

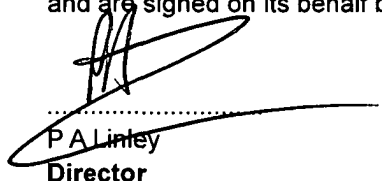
Total comprehensive income for the year is all attributable to the owners of the parent company.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## GROUP BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	12		227,207		188,770
Tangible assets	13		710,791		785,512
			<u>937,998</u>		<u>974,282</u>
<b>Current assets</b>					
Debtors	16	3,684,928		2,320,385	
Cash at bank and in hand		9,696,532		12,931,772	
		<u>13,381,460</u>		<u>15,252,157</u>	
<b>Creditors: amounts falling due within one year</b>	17	(4,805,564)		(3,500,518)	
<b>Net current assets</b>			<u>8,575,896</u>		<u>11,751,639</u>
<b>Total assets less current liabilities</b>			<u>9,513,894</u>		<u>12,725,921</u>
<b>Creditors: amounts falling due after more than one year</b>	18		-		(171,407)
<b>Provisions for liabilities</b>	20		-		(44,415)
<b>Net assets</b>			<u><u>9,513,894</u></u>		<u><u>12,510,099</u></u>
<b>Capital and reserves</b>					
Called up share capital	24		860		860
Share premium account	25		9,849,698		9,849,698
Other reserves	25		(449,925)		(449,925)
Profit and loss reserves	25		113,261		3,109,466
<b>Total equity</b>			<u><u>9,513,894</u></u>		<u><u>12,510,099</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28 July 2020 and are signed on its behalf by:

  
P A Linley  
Director

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	12		227,207		188,770
Tangible assets	13		704,992		784,013
Investments	14		2		-
			<u>932,201</u>		<u>972,783</u>
<b>Current assets</b>					
Debtors	16	4,789,735		2,490,628	
Cash at bank and in hand		9,456,919		12,877,945	
		<u>14,246,654</u>		<u>15,368,573</u>	
<b>Creditors: amounts falling due within one year</b>	17	(4,515,378)		(3,454,068)	
<b>Net current assets</b>			<u>9,731,276</u>		<u>11,914,505</u>
<b>Total assets less current liabilities</b>			<u>10,663,477</u>		<u>12,887,288</u>
<b>Creditors: amounts falling due after more than one year</b>	18		-		(171,407)
<b>Provisions for liabilities</b>	20		-		(44,415)
<b>Net assets</b>			<u><u>10,663,477</u></u>		<u><u>12,671,466</u></u>
<b>Capital and reserves</b>					
Called up share capital	24		860		860
Share premium account	25		9,849,698		9,849,698
Other reserves	25		(449,925)		(449,925)
Profit and loss reserves	25		1,262,844		3,270,833
<b>Total equity</b>			<u><u>10,663,477</u></u>		<u><u>12,671,466</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,447,989 (2018 - £221,751 profit).

The financial statements were approved by the board of directors and authorised for issue on 28 July 2020 and are signed on its behalf by:

  
 P A Linley  
 Director

Company Registration No. 06802155

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>		800	-	-	3,691,082	3,691,882
<b>Year ended 31 December 2018:</b>						
Profit for the year		-	-	-	60,776	60,776
Other comprehensive income:						
Currency translation differences		-	-	-	(392)	(392)
Total comprehensive income for the year		-	-	-	60,384	60,384
Issue of share capital	24	60	9,849,698	-	-	9,849,758
Dividends	11	-	-	-	(642,000)	(642,000)
Shares purchased by EBT		-	-	(449,925)	-	(449,925)
<b>Balance at 31 December 2018</b>		860	9,849,698	(449,925)	3,109,466	12,510,099
<b>Year ended 31 December 2019:</b>						
Loss for the year		-	-	-	(2,475,006)	(2,475,006)
Other comprehensive income:						
Currency translation differences		-	-	-	38,801	38,801
Total comprehensive income for the year		-	-	-	(2,436,205)	(2,436,205)
Dividends	11	-	-	-	(560,000)	(560,000)
<b>Balance at 31 December 2019</b>		860	9,849,698	(449,925)	113,261	9,513,894

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>		800	-	-	3,691,082	3,691,882
<b>Year ended 31 December 2018:</b>						
Profit and total comprehensive income for the year		-	-	-	221,751	221,751
Issue of share capital	24	60	9,849,698	-	-	9,849,758
Dividends	11	-	-	-	(642,000)	(642,000)
Shares purchased by EBT		-	-	(449,925)	-	(449,925)
<b>Balance at 31 December 2018</b>		860	9,849,698	(449,925)	3,270,833	12,671,466
<b>Year ended 31 December 2019:</b>						
Loss and total comprehensive income for the year		-	-	-	(1,447,989)	(1,447,989)
Dividends	11	-	-	-	(560,000)	(560,000)
<b>Balance at 31 December 2019</b>		860	9,849,698	(449,925)	1,262,844	10,663,477

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	30		(2,273,379)		463,137
Interest paid			(1,423)		(5,360)
Income taxes paid			-		(9,641)
			<hr/>		<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>			<b>(2,274,802)</b>		<b>448,136</b>
<b>Investing activities</b>					
Purchase of intangible assets		(92,027)		(193,610)	
Purchase of tangible fixed assets		(134,716)		(211,270)	
Interest received		55,348		37,176	
		<hr/>		<hr/>	
<b>Net cash used in investing activities</b>			<b>(171,395)</b>		<b>(367,704)</b>
<b>Financing activities</b>					
Proceeds from issue of shares		-		9,849,758	
Purchase of shares by EBT		-		(449,925)	
Repayment of bank loans		(229,043)		(56,876)	
Dividends paid to equity shareholders		(560,000)		(642,000)	
		<hr/>		<hr/>	
<b>Net cash (used in)/generated from financing activities</b>			<b>(789,043)</b>		<b>8,700,957</b>
			<hr/>		<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>			<b>(3,235,240)</b>		<b>8,781,389</b>
Cash and cash equivalents at beginning of year			12,931,772		4,150,383
			<hr/>		<hr/>
<b>Cash and cash equivalents at end of year</b>			<b>9,696,532</b>		<b>12,931,772</b>
			<hr/> <hr/>		<hr/> <hr/>

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

#### Company information

Cappfinity Limited (Previously Capp & Co Limited) ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 2230 - 2235 Regents Court, The Crescent, Birmingham Business Park, Birmingham, B37 7YE.

The group consists of Cappfinity Limited (Previously Capp & Co Limited) and all of its subsidiaries.

#### 1.1 Accounting convention

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

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

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

The company has taken advantage of the exemption from the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 on the basis that it is a qualifying entity and that the results of the company are included in the group statement of cash flows.

#### 1.2 Basis of consolidation

The consolidated financial statements incorporate those of Cappfinity Limited (Previously Capp & Co Limited) and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### 1.3 Going concern

At the time of approving the financial statements, the directors have assessed the group's situation regarding the COVID-19 pandemic and the likely impact on the group. Due to the healthy cash balance and ability to generate sales during this period, the directors have a reasonable expectation that the group has adequate resources and working capital to continue in operational existence for the foreseeable future to deal with the issues arising from the COVID-19 pandemic. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

(Continued)

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs and also with reference to management estimates of work completed but not billed and work billed but not completed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

#### 1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a customer base and patents over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

#### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Freehold land and buildings	2% straight line
Leasehold improvements	20% straight line
Computer equipment and website costs	50% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.8 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

#### 1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.11 Financial instruments

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

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

#### 1.12 Equity instruments

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

#### 1.13 Taxation

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

##### *Current tax*

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

##### *Deferred tax*

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

(Continued)

The company operates an employee benefit trust (EBT) and has de facto control of the shares held by the trust and bears their benefits and risks. The group and company records assets and liabilities of the trust as its own. Consideration paid by the EBT scheme for shares of the company is deducted from equity. Finance costs and administrative expenses incurred by the company in relation to the EBT are recognised on an accruals basis.

#### 1.15 Retirement benefits

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

#### 1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the EV/EBITDA model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

#### 1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

#### 1.18 Foreign exchange

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

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements, estimates and assumptions which have had the most significant effect on amounts recognised in the financial statements and which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### **Operating lease commitments**

As a lessee, the Group obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

#### **Useful economic life of non current assets**

Management estimate the useful economic life of non current assets based on the period over which the asset is expected to be used and provide for depreciation accordingly. Where an indication of impairment is identified the estimation of recoverable value requires estimation.

#### **Deferred tax**

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

#### **Accrued and deferred income**

In recognising accrued income in the financial statements management estimate work completed but not billed to the client. In recognising deferred income in the financial statements management estimate work billed to the client but not completed. These estimates are based on stage of completion of project contracts, project knowledge and professional judgement.

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019	2018
	£	£
<b>Other significant revenue</b>		
Interest income	55,348	37,176
Royalty income	37	826
	<u>          </u>	<u>          </u>

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3	Turnover and other revenue	(Continued)	
		2019	2018
		£	£
	<b>Turnover analysed by geographical market</b>		
	United Kingdom	9,517,260	8,695,849
	United States of America	438,763	-
	Australia	148,517	-
		<u>10,104,540</u>	<u>8,695,849</u>
4	Operating loss	2019	2018
		£	£
	Operating loss for the year is stated after charging/(crediting):		
	Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	90,867	(56,234)
	Research and development costs	1,403,163	1,506,851
	Depreciation of owned tangible fixed assets	209,437	157,457
	Amortisation of intangible assets	53,590	4,840
	Operating lease charges	566,639	384,696
		<u>1,913,696</u>	<u>1,909,078</u>
5	Auditor's remuneration	2019	2018
		£	£
	Fees payable to the company's auditor and associates:		
	<b>For audit services</b>		
	Audit of the financial statements of the group and company	11,900	13,500
	Audit of the financial statements of the company's subsidiaries	2,580	2,500
		<u>14,480</u>	<u>16,000</u>
	<b>For other services</b>		
	Taxation compliance services	520	500
	All other non-audit services	14,544	17,968
		<u>15,064</u>	<u>18,468</u>

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 6 Employees

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

Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
197	153	190	153
<u>197</u>	<u>153</u>	<u>190</u>	<u>153</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	7,652,590	4,889,511	6,857,624	4,827,659
Social security costs	745,302	507,254	704,658	496,834
Pension costs	345,288	304,297	324,182	300,651
	<u>8,743,180</u>	<u>5,701,062</u>	<u>7,886,464</u>	<u>5,625,144</u>

### 7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	520,600	505,388
Company pension contributions to defined contribution schemes	40,489	8,900
	<u>561,089</u>	<u>514,288</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2018 - 4).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	241,180	241,385
Company pension contributions to defined contribution schemes	11,235	7,200
	<u>252,415</u>	<u>248,585</u>

### 8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	55,348	37,176
	<u>55,348</u>	<u>37,176</u>

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

---

<b>8 Interest receivable and similar income</b>	<b>(Continued)</b>	
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	55,348	37,176
	<u>          </u>	<u>          </u>
<b>9 Interest payable and similar expenses</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	1,423	5,360
	<u>          </u>	<u>          </u>
<b>10 Taxation</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	(452,167)	(405,050)
Adjustments in respect of prior periods	-	(38,251)
	<u>          </u>	<u>          </u>
Total current tax	(452,167)	(443,301)
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(44,415)	4,450
Deferred tax on share-based payments charge	-	47,622
	<u>          </u>	<u>          </u>
Total deferred tax	(44,415)	52,072
	<u>          </u>	<u>          </u>
Total tax credit	(496,582)	(391,229)
	<u>          </u>	<u>          </u>

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Taxation

(Continued)

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

	2019 £	2018 £
Loss before taxation	(2,971,588)	(330,453)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(564,602)	(62,786)
Tax effect of expenses that are not deductible in determining taxable profit	218,633	40,980
Unutilised tax losses carried forward	40,904	-
Adjustments in respect of prior years	-	(38,250)
Effect of change in corporation tax rate	-	(3,046)
Research and development tax credit	(194,562)	(246,487)
Share based payment charge	-	(82,609)
Deferred tax adjustments in respect of prior years	3,045	969
Taxation credit	(496,582)	(391,229)

### 11 Dividends

	2019 £	2018 £
Interim paid	560,000	642,000

### 12 Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 1 January 2019	193,610
Additions	92,027
At 31 December 2019	285,637
<b>Amortisation and impairment</b>	
At 1 January 2019	4,840
Amortisation charged for the year	53,590
At 31 December 2019	58,430

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Intangible fixed assets	(Continued)
<b>Carrying amount</b>	
At 31 December 2019	227,207
At 31 December 2018	188,770
<b>Company</b>	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2019	193,610
Additions	92,027
At 31 December 2019	285,637
<b>Amortisation and impairment</b>	
At 1 January 2019	4,840
Amortisation charged for the year	53,590
At 31 December 2019	58,430
<b>Carrying amount</b>	
At 31 December 2019	227,207
At 31 December 2018	188,770

## 13 Tangible fixed assets

Group	Freehold land and buildings	Leasehold improvements	Computer equipment and website costs	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2019	451,850	230,372	436,360	1,118,582
Additions	-	19,278	115,438	134,716
At 31 December 2019	451,850	249,650	551,798	1,253,298
<b>Depreciation and impairment</b>				
At 1 January 2019	12,049	49,957	271,064	333,070
Depreciation charged in the year	9,037	47,703	152,697	209,437
At 31 December 2019	21,086	97,660	423,761	542,507
<b>Carrying amount</b>				
At 31 December 2019	430,764	151,990	128,037	710,791
At 31 December 2018	439,801	180,415	165,296	785,512

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 13 Tangible fixed assets

(Continued)

Company	Freehold land and buildings	Leasehold improvements	Computer equipment and website costs	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2019	451,850	230,372	434,796	1,117,018
Additions	-	16,538	111,657	128,195
At 31 December 2019	451,850	246,910	546,453	1,245,213
<b>Depreciation and impairment</b>				
At 1 January 2019	12,049	49,957	270,999	333,005
Depreciation charged in the year	9,037	47,429	150,750	207,216
At 31 December 2019	21,086	97,386	421,749	540,221
<b>Carrying amount</b>				
At 31 December 2019	430,764	149,524	124,704	704,992
At 31 December 2018	439,801	180,415	163,797	784,013

### 14 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	15	-	-	2	-
		-	-	2	-

#### Movements in fixed asset investments

Company	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2019	-
Additions	2
At 31 December 2019	2
<b>Carrying amount</b>	
At 31 December 2019	2
At 31 December 2018	-

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct
Cappfinity Inc.	1.	Ordinary	100.00
Cappfinity PTY Ltd (Previously Capp Australia Pty Ltd)	2.	Ordinary	100.00
Capp & Co (Psychology) Limited	3.	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

- 1 450 Lexington Avenue, New York, NY 10017, USA
- 2 Level 2, 383 George Street, Sydney, NSW 2000, Australia
- 3 2230-2235 Regents Court The Crescent, Birmingham Business Park, Birmingham, B37 7YE, UK

#### 16 Debtors

	Group 2019	2018	Company 2019	2018
Amounts falling due within one year:	£	£	£	£
Trade debtors	2,406,166	1,724,576	2,207,867	1,724,576
Corporation tax recoverable	897,351	445,184	897,351	445,184
Amounts owed by group undertakings	-	-	1,360,427	193,775
Other debtors	-	4,024	-	-
Prepayments and accrued income	381,411	146,601	324,090	127,093
	<u>3,684,928</u>	<u>2,320,385</u>	<u>4,789,735</u>	<u>2,490,628</u>

#### 17 Creditors: amounts falling due within one year

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Bank loans	19	-	57,636	-	57,636
Trade creditors		90,538	196,592	85,668	178,092
Amounts owed to group undertakings		-	-	1	-
Other taxation and social security		775,556	651,321	739,033	638,305
Deferred income	21	3,368,558	2,207,558	3,196,170	2,207,558
Other creditors		21,801	31,039	18,355	19,534
Accruals		549,111	356,372	476,151	352,943
		<u>4,805,564</u>	<u>3,500,518</u>	<u>4,515,378</u>	<u>3,454,068</u>

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	19	-	171,407	-	171,407

### 19 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	-	229,043	-	229,043
Payable within one year	-	57,636	-	57,636
Payable after one year	-	171,407	-	171,407

The 2018 bank loan within the parent company is for a term of 5 years repayable in equal monthly instalments and is at an interest rate of 2.9% per annum. The loan is secured by a fixed charge over the freehold property to which it relates.

This loan was fully repaid in February 2019.

### 20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
<b>Group</b>		
Accelerated capital allowances	-	44,415
	<u>          </u>	<u>          </u>
<b>Company</b>		
Accelerated capital allowances	-	44,415
	<u>          </u>	<u>          </u>

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

<b>20</b>	<b>Deferred taxation</b>	<b>(Continued)</b>	
		<b>Group</b>	<b>Company</b>
		<b>2019</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
	<b>Movements in the year:</b>		
	Liability at 1 January 2019	44,415	44,415
	Credit to profit or loss	(44,415)	(44,415)
		<u>          </u>	<u>          </u>
	Asset at 31 December 2019	<u>          </u>	<u>          </u>

<b>21</b>	<b>Deferred income</b>	<b>Group</b>	<b>2018</b>	<b>Company</b>	<b>2018</b>
		<b>2019</b>	<b>£</b>	<b>2019</b>	<b>£</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	Other deferred income	3,368,558	2,207,558	3,196,170	2,207,558
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

<b>22</b>	<b>Retirement benefit schemes</b>	<b>2019</b>	<b>2018</b>
	<b>Defined contribution schemes</b>	<b>£</b>	<b>£</b>
	Charge to profit or loss in respect of defined contribution schemes	345,288	304,297
		<u>          </u>	<u>          </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 23 Share-based payment transactions

Group and company	Number of share options		Weighted average exercise price	
	2019 Number	2018 Number	2019 £	2018 £
Outstanding at 1 January 2019	9,969	12,540	5.89	5.89
Granted	6,000	-	175.00	-
Exercised	-	(2,571)	-	5.89
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Outstanding at 31 December 2019	<u>15,969</u>	<u>9,969</u>	<u>69.43</u>	<u>5.89</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Exercisable at 31 December 2019	<u>3,699</u>	<u>564</u>	<u>5.89</u>	<u>5.89</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 23 Share-based payment transactions

(Continued)

Included in the options outstanding at 31 December 2019, are 9,969 share options with an exercise price of £5.89, and a remaining contractual life of 7.5 years.

The remaining 6,000 options have an exercise price of £175, and a remaining contractual life of 9.5 years.

#### Group and company

Last year, 3,714 share options were granted with a weighted average exercise price of £175, via an unapproved equity-settled share based payment scheme. This scheme was cancelled in July 2019.

In July 2019, 6,000 share options were granted with a weighted average exercise price of £175, via an Enterprise Management Incentive scheme.

#### 24 Share capital

	Group and company	
	2019	2018
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
188,572 Ordinary A shares of 0.1p each	189	189
600 Ordinary B shares of £1 each	600	600
2,571 Ordinary C shares of 0.1p each	3	3
68,571 Redeemable D preferred shares of 0.1p each	68	68
	<u>860</u>	<u>860</u>

All of the company's shares carry equal rights to income. The company's Ordinary A, B and C shares carry equal voting rights and rights to capital on winding up. The company's Redeemable D preferred shares carry voting rights and rights to capital as specified in the company's Articles of Association.

The Redeemable D preferred shares are redeemable after 6 March 2024 at the discretion of the holder of the majority of D preferred shares.

#### 25 Reserves

The share premium reserve represents the excess of consideration received for the company's share capital over and above their nominal value less any costs of issuing those shares.

Retained Earnings represents the retained profit of the group since its inception.

Other reserves represents shares that the Capp & Co Employee Benefit Trust holds in Cappfinity Limited.

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 26 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	132,219	121,794	126,280	121,794
Between two and five years	189,513	278,460	189,513	278,460
	<u>321,732</u>	<u>400,254</u>	<u>315,793</u>	<u>400,254</u>

### 27 Events after the reporting date

At the time of approval of the financial statements, the United Kingdom is subject to lockdown measures due to the COVID-19 pandemic. There are similar restrictions in the countries in which the subsidiary companies operate. The directors estimate that this will have an adverse impact on the group's sales during this lockdown period.

At the time of approval, the group is still able to generate sales to new and existing customers. By implementing cost reduction measures and using the government support available the costs of running the company have been able to remain under control. At the time of approval the group retained a healthy cash balance which the Directors believe should see them through any issues that may be encountered in the wake of COVID19.

However it is not currently possible to reliably estimate the full long term financial effect on the group.

### 28 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	<u>488,571</u>	<u>110,812</u>

# CAPFFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 28 Related party transactions

(Continued)

#### Transactions with related parties

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

	Rentals payable	
	2019	2018
	£	£
<b>Group</b>		
Other related parties	98,280	98,280
	<u>98,280</u>	<u>98,280</u>
<b>Company</b>		
Other related parties	98,280	98,280
	<u>98,280</u>	<u>98,280</u>

### 29 Intermediary

The parent company of the group is a sponsoring entity for the intermediary CAPP & Co Limited Employee Benefit Trust. The assets and liabilities of the intermediary are presented within the results of the sponsoring entity and any transactions between both entities have been void for the purpose of the financial statements.

The inclusion of the intermediary has resulted in the following adjustments to the company only figures:

- £6,376 increase in profit and loss reserves
- £449,925 decrease in other reserves
- £829,126 increase in cash
- £5,954 increase in profit for the year

### 30 Cash generated from group operations

	2019	2018
	£	£
(Loss)/profit for the year after tax	(2,475,006)	60,776
Adjustments for:		
Taxation credited	(496,582)	(391,229)
Finance costs	1,423	5,360
Investment income	(55,348)	(37,176)
Amortisation and impairment of intangible assets	53,590	4,840
Depreciation and impairment of tangible fixed assets	209,437	157,457
Currency translation differences on consolidation	38,801	(392)
Movements in working capital:		
(Increase) in debtors	(912,376)	(313,421)
Increase in creditors	1,362,682	976,922
<b>Cash (absorbed by)/generated from operations</b>	<u>(2,273,379)</u>	<u>463,137</u>

# CAPPFINITY LIMITED (PREVIOUSLY CAPP & CO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 31 Analysis of changes in net funds - group

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	12,931,772	(3,235,240)	9,696,532
Borrowings excluding overdrafts	(229,043)	229,043	-
	<u>12,702,729</u>	<u>(3,006,197)</u>	<u>9,696,532</u>

### 32 Analysis of changes in net funds - company

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	12,877,945	(3,421,026)	9,456,919
Borrowings excluding overdrafts	(229,043)	229,043	-
	<u>12,648,902</u>	<u>(3,191,983)</u>	<u>9,456,919</u>