

**Strategic Report,
Report of the Directors and
Audited Financial Statements
for the Year Ended 31 August 2023
for
HATS GROUP LTD**

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FOR THE YEAR ENDED 31 AUGUST 2023**

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HATS GROUP LTD

Company Information FOR THE YEAR ENDED 31 AUGUST 2023

DIRECTORS:

HS Bilinski
A Howard
Miss S C Rezende

REGISTERED OFFICE:

c/o LSR Management Ltd
Unit C2A Comet Studios
De Havilland Court
Amersham
Buckinghamshire
HP7 0PX

REGISTERED NUMBER:

03135655 (England and Wales)

**SENIOR STATUTORY
AUDITOR:**

Mr Matthew Adam Bailey

AUDITORS:

Howards Limited
Chartered Certified Accountants
Statutory Auditors
Newport House
Newport Road
Stafford
Staffordshire
ST16 1DA

**Strategic Report
FOR THE YEAR ENDED 31 AUGUST 2023**

The directors present their strategic report for the year ended 31 August 2023.

REVIEW OF BUSINESS

The results for the year and financial position of the company are shown in the annexed financial statements. The principal activity of the company is the supply of logistical solutions to Local Government & the NHS and private sector.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in an uncertain environment that may result in increased risk, cost pressure and time pressures. Due to the nature of the industry additional pressures from customers can arise without time to plan for them. The following are the key risks that face the company;

-Financing risks

The financial risk to the company going forward is dependent on the current market. As the company deals in transportation logistics over short and medium length contracts this mitigates immediate financing risk, however not long term risks. The company's finances are supported by its ability to gain a competitive advantage over its competitors.

-Market and other regulatory requirements

Existing and possible future legislation, regulations and actions could cause additional operational expense, capital expenditure, reduction in scope and further product development change, the extent of which cannot be predicted. The company takes responsibility for ensuring that all relevant legislation is met.

-Operation risks

These include equipment failure, damage or substandard service, and include changes in customer operations and targets. The risk of oil price changes affecting the cost of sales is an uncontrollable risk for the company. The company seeks to minimise these risks by investing in environmentally advanced equipment, improvements in training and customer engagement whilst closely monitoring the legislation developments within its market.

**Strategic Report
FOR THE YEAR ENDED 31 AUGUST 2023**

SECTION 172(1) STATEMENT

This section of the Strategic Report describes how the directors regard the matters set out in section 172 of the Companies Act 2006 ("Section 172").

Section 172 requires directors to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole. The directors receive guidance on their duties from the Company Secretary, including in relation to Section 172, and have been briefed on these reporting requirements.

The Company considers its key stakeholder groups to be:-

- Employees,
- Customers and suppliers, and
- Community/Society/Environment.

STAKEHOLDER ENGAGEMENT STATEMENT

The following are considered to be the key stakeholders of the Company:

Stakeholder	Important areas for our key stakeholders and measures taken to demonstrate their value the business and engagement are set out below:
Employees	Please see the Employee Engagement Statement in the Directors Report.
Suppliers	Business relationships are recognised by the Directors as being essential to the continued success and positive reputation of the Company. The Company's staff are in regular contact with the key commercial suppliers in order to continue to promote strong and mutually beneficial relationships with its commercial partners.

Community/Society/Environment

The directors firmly believe that excellent customer service, integrity, employee opportunity and community relationships go hand in hand with business growth. The Company strives to honour the people and environment in which it operates by:

- acting with honesty, integrity and fairness at all times;
- providing employees with a safe and comfortable working environment;
- offering customers a selection of fuel-efficient alternatives, including electric vehicles when available;
- minimising the impact on the environment by reducing carbon footprint and waste;
- working with suppliers to increase sustainable supply chain performance;
- valuing diversity, and seeking to represent suppliers and employees that fully reflect the communities served;
- contributing to local communities through charitable donations;
- complying with all relevant laws and regulations;
- listening to stakeholders, responding to their concerns and communication regularly with them.

Shareholders	The success of the business ensures that shareholders are rewarded and that the value of the Company is enhanced.
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EMPLOYEES

The company has continued to give full and fair consideration to applications made by persons of all diversities, having regard to their respective aptitudes and abilities, and to ensure that they benefit from training and career development programmes in common with all employees. The company has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

**Strategic Report
FOR THE YEAR ENDED 31 AUGUST 2023**

PAYMENT OF CREDITORS

The company does not follow any published code or statement on payment practice. However, it is the company's policy to settle all amounts due to its creditors on a timely basis, taking into account the credit terms by each supplier.

LIKELY FUTURE DEVELOPMENTS

HATS Group are expected to continue with strong growth throughout 2023/2024.

During the year we continued to make efficiencies, especially in respect of our capital assets (vehicles).

Good growth through our client base, both organically and through new contracts in the field of patient transport services and passengers with special educational needs and disabilities (SEND) shows in the turnover increase, consolidation and efficiencies within this sales growth is expected to show through the profitability going forward.

KEY PERFORMANCE INDICATORS

At HATS Group we recognise that we can only continue to deliver excellent standards of service to our clients by having a successful, sustainable and dynamic company.

To enable this, we use two Key Performance Indicators; Revenue and Net Profit. Both of these KPI's have been achieved.

We have seen a strong growth in 2020,21,22 & 23, with turnover increasing from £69,883,787 in 2021/22 to £79,254,098 a growth of 13% on a pro rata basis.

This growth has been driven by the full impact of new patient transport service contracts (PTS) plus additional transport requirements throughout plus the full turnover of the new SEND transport contracts for London Boroughs and new clients in the Home Counties contracts..

Gross profit increase to £27.87m in 2022/23 from £21.28m 2021/22. This strong growth marks a 130% increase in gross profit compared from the previous year on a pro rata basis.

Net profit has remained similar due to the administration costs of running these new increased sized contracts. Efficiencies are now taking place and next year should show the increased net profit due to this hard work.

We are exceptionally proud of our commercial performance, especially when combined with our excellent front line services levels and regulatory compliance.

ON BEHALF OF THE BOARD:

HS Bilinski - Director

3 May 2024

**Report of the Directors
FOR THE YEAR ENDED 31 AUGUST 2023**

The directors present their report with the financial statements of the company for the year ended 31 August 2023.

DIVIDENDS

No dividends will be distributed for the year ended 31 August 2023.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 September 2022 to the date of this report.

HS Bilinski
A Howard
Miss S C Rezende

POLITICAL DONATIONS AND EXPENDITURE

During the year the company made donations of £45,284 to local charities, none of these were political.

RESULTS REVIEW

The company's key performance numbers within the year were:

Year	2023	2022
Turnover	79,254,098	69,883,787
Gross Profit	27,865,127	21,282,186
Net Assets	12,716,510	10,893,736

The company aims to continue to grow its client base organically. The target growth areas are within vulnerable adults & passengers with special educational needs and disabilities (SEND) & within patient transport area of NHS trusts.

The company has the structure in place and operational scope to grow in these target areas.

ENGAGEMENT WITH EMPLOYEES

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has continued through the Company's website and interactive employee applications. Regular meetings are held between local management and employees to allow free flow of information and ideas. Employees participate directly in the success of the business through bonus mechanisms.

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

STREAMLINED ENERGY AND CARBON REPORTING

Introduction

**Report of the Directors
FOR THE YEAR ENDED 31 AUGUST 2023**

As part of our ongoing commitment to environmental stewardship, HATS Group Ltd recognises the importance of accounting for and mitigating carbon emissions resulting from our operations. In direct alignment to sustainability, we have undertaken detailed analysis of the carbon dioxide equivalents (MMTCDE) associated with our energy consumption for the fiscal year.

Carbon Emissions Calculation

Based on the data available and utilising established emission factors, we have calculated the carbon dioxide equivalents (MMTCDE) resulting from our diesel expenditure for the fiscal year. This calculation adheres to recognised standards and methodologies for greenhouse gas accounting.

Results

For the fiscal year 2023, the total carbon dioxide equivalents (MMTCDE) associated with our energy consumption amounted to approximately 19.3941 million metric tonnes. This figure represents the carbon emissions resulting directly from our operational activities and underscores the importance of continued efforts to reduce our environmental footprint.

We calculated the CO₂ emissions per litre of fuel this using recognised fuel combustion emissions for our fleet of vehicles of (kg of CO₂ per litre burned and density of fuel)

We then converted our fuel expenditure from pounds (£) to tonnes, assuming a conversion factor of 1 pound ~ 0.000453592 tonnes.

Finally, we calculated the carbon dioxide equivalents (MMTCDE) by multiplying the total fuel consumption in tonnes by the CO₂ emissions per litre of fuel and converting the result to million metric tonnes; $MMTCDE = (\text{total diesel consumption in tonnes}) \times (\text{CO}_2 \text{ emissions per litre of diesel}) \times (1 \text{ million} / 1,000,000)$.

Commitment to Emissions Reduction

Looking ahead, we remain steadfast in our commitment to reducing carbon emissions and mitigating environmental impact. We are actively pursuing a clear pathway towards achieving Net Zero emissions by 2030, with a particular focus on transitioning our fleet to electric vehicles and implementing energy-efficient practices across our operations. These efforts reflect our dedication to sustainability and our role as responsible stewards of the environment.

Conclusion

In conclusion, we acknowledge the importance of transparent reporting and accountability in addressing climate change. We remain committed to reducing our carbon footprint, advancing sustainability initiatives, and working towards a future where environmental stewardship is paramount. By continuing to innovate and collaborate, we are confident in our ability to achieve our Net Zero emissions target by 2030 and contribute to a greener, more sustainable world.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Directors
FOR THE YEAR ENDED 31 AUGUST 2023**

AUDITORS

The auditors, Howards Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting. We appointed new auditors following the passing away of our previous auditor, there were no other circumstances to be notified in the change of auditors.

ON BEHALF OF THE BOARD:

HS Bilinski - Director

3 May 2024

**Directors' Responsibilities Statement
FOR THE YEAR ENDED 31 AUGUST 2023**

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

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standards 102 as adopted for use in the UK and Republic of Ireland. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 are responsible for the maintenance and integrity of corporate and financial information on the company's website.

Report of the Independent Auditors to the Members of HATS Group Ltd

Opinion

We have audited the financial statements of HATS Group Ltd (the 'company') for the year ended 31 August 2023 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 company's affairs as at 31 August 2023 and of its 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 Auditors' 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Report of the Directors and the Directors' Responsibilities Statement, but does not include the financial statements and our Report of the Auditors 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Report of the Independent Auditors to the Members of HATS Group Ltd

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page eight, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 a Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. The company did not inform us of any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: FRS 102, Companies Act 2006 & the Health and Safety act 1974.
- We considered the incentives and opportunities that exist in the company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the company, together with the discussions held with the company at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries and the overall accounting records, in particular those that were significant and unusual.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates, in particular in relation to doubtful debt provisions, inventory valuations & depreciation methods.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Testing key revenue lines, in particular cut-off, for evidence of management bias.
- Performing a verification of key assets.
- Obtaining third-party confirmation of material bank and loan balances.
- Documenting and verifying all significant related party balances and transactions.
- Reviewing documentation such as the company board minutes, correspondence with solicitors, for discussions of irregularities including fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and performed our audit in accordance with auditing standards. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

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. This description forms part of our Report of the Auditors.

**Report of the Independent Auditors to the Members of
HATS Group Ltd**

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 a Report of the Auditors 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.

Mr Matthew Adam Bailey (Senior Statutory Auditor)
for and on behalf of Howards Limited
Chartered Certified Accountants
Statutory Auditors
Newport House
Newport Road
Stafford
Staffordshire
ST16 1DA

7 May 2024

HATS GROUP LTD (REGISTERED NUMBER: 03135655)

**Income Statement
FOR THE YEAR ENDED 31 AUGUST 2023**

	Notes	2023 £	2022 £
TURNOVER		79,254,098	69,883,787
Cost of sales		<u>51,388,971</u>	<u>48,601,601</u>
GROSS PROFIT		27,865,127	21,282,186
Administrative expenses		<u>23,888,811</u>	<u>18,423,135</u>
		3,976,316	2,859,051
Other operating income		<u>-</u>	<u>16,712</u>
OPERATING PROFIT	4	3,976,316	2,875,763
Income from shares in group undertakings		<u>-</u>	<u>654,518</u>
		3,976,316	3,530,281
Interest payable and similar expenses	5	<u>1,106,628</u>	<u>628,596</u>
PROFIT BEFORE TAXATION		2,869,688	2,901,685
Tax on profit	6	<u>1,046,914</u>	<u>319,357</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,822,774</u>	<u>2,582,328</u>

The notes form part of these financial statements

HATS GROUP LTD (REGISTERED NUMBER: 03135655)

**Other Comprehensive Income
FOR THE YEAR ENDED 31 AUGUST 2023**

	Notes	2023 £	2022 £
PROFIT FOR THE YEAR		1,822,774	2,582,328
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,822,774</u>	<u>2,582,328</u>

The notes form part of these financial statements

HATS GROUP LTD (REGISTERED NUMBER: 03135655)**Balance Sheet
31 AUGUST 2023**

	Notes	2023 £	£	2022 £	£
FIXED ASSETS					
Intangible assets	7		-		-
Tangible assets	8		24,169,346		19,329,261
Investments	9		202		202
			<u>24,169,548</u>		<u>19,329,463</u>
CURRENT ASSETS					
Debtors	10	9,352,233		9,898,333	
Cash at bank		<u>5,196,486</u>		<u>5,111,412</u>	
		14,548,719		15,009,745	
CREDITORS					
Amounts falling due within one year	11	<u>10,497,727</u>		<u>10,085,816</u>	
NET CURRENT ASSETS			<u>4,050,992</u>		<u>4,923,929</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			28,220,540		24,253,392
CREDITORS					
Amounts falling due after more than one year	12		(13,918,358)		(12,354,824)
PROVISIONS FOR LIABILITIES	16		<u>(1,585,672)</u>		<u>(1,004,832)</u>
NET ASSETS			<u>12,716,510</u>		<u>10,893,736</u>
CAPITAL AND RESERVES					
Called up share capital	17		10,000		10,000
Retained earnings	18		<u>12,706,510</u>		<u>10,883,736</u>
SHAREHOLDERS' FUNDS			<u>12,716,510</u>		<u>10,893,736</u>

The financial statements were approved by the Board of Directors and authorised for issue on 3 May 2024 and were signed on its behalf by:

HS Bilinski - Director

The notes form part of these financial statements

HATS GROUP LTD (REGISTERED NUMBER: 03135655)**Statement of Changes in Equity
FOR THE YEAR ENDED 31 AUGUST 2023**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 September 2021	10,000	8,232,431	68,977	8,311,408
Changes in equity				
Total comprehensive income	-	2,651,305	(68,977)	2,582,328
Balance at 31 August 2022	10,000	10,883,736	-	10,893,736
Changes in equity				
Total comprehensive income	-	1,822,774	-	1,822,774
Balance at 31 August 2023	10,000	12,706,510	-	12,716,510

The notes form part of these financial statements

Cash Flow Statement
FOR THE YEAR ENDED 31 AUGUST 2023

	Notes	2023 £	2022 £
Cash flows from operating activities			
Cash generated from operations	1	7,432,638	6,029,643
Interest paid		-	(55,220)
Interest element of hire purchase payments paid		(1,106,628)	(573,376)
Tax paid		-	(219,471)
Net cash from operating activities		<u>6,326,010</u>	<u>5,181,576</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(8,129,581)	(13,935,409)
Purchase of fixed asset investments		-	(101)
Sale of tangible fixed assets		(1)	20,140
Dividends received		-	654,518
Net cash from investing activities		<u>(8,129,582)</u>	<u>(13,260,852)</u>
Cash flows from financing activities			
Capital repayments in year		1,926,419	11,203,637
Amount withdrawn by directors		(37,773)	-
Net cash from financing activities		<u>1,888,646</u>	<u>11,203,637</u>
Increase in cash and cash equivalents		<u>85,074</u>	<u>3,124,361</u>
Cash and cash equivalents at beginning of year	2	5,111,412	1,987,051
Cash and cash equivalents at end of year	2	<u>5,196,486</u>	<u>5,111,412</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
FOR THE YEAR ENDED 31 AUGUST 2023

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2023	2022
	£	£
Profit before taxation	2,869,688	2,901,685
Depreciation charges	3,203,761	1,968,372
Loss on disposal of fixed assets	85,934	110,754
Government grants	-	(16,712)
Finance costs	1,106,628	628,596
Finance income	-	(654,518)
	<u>7,266,011</u>	<u>4,938,177</u>
Decrease/(increase) in trade and other debtors	546,100	(1,621,708)
(Decrease)/increase in trade and other creditors	<u>(379,473)</u>	<u>2,713,174</u>
Cash generated from operations	<u><u>7,432,638</u></u>	<u><u>6,029,643</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 August 2023

	31/8/23	1/9/22
	£	£
Cash and cash equivalents	<u>5,196,486</u>	<u>5,111,412</u>

Year ended 31 August 2022

	31/8/22	1/9/21
	£	£
Cash and cash equivalents	<u>5,111,412</u>	<u>1,987,051</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/9/22	Cash flow	At 31/8/23
	£	£	£
Net cash			
Cash at bank	<u>5,111,412</u>	85,074	<u>5,196,486</u>
	<u>5,111,412</u>	<u>85,074</u>	<u>5,196,486</u>
Debt			
Finance leases	(16,112,609)	(1,926,419)	(18,039,028)
Debts falling due within 1 year	(10,648)	10,648	-
Debts falling due after 1 year	(26,928)	26,928	-
	<u>(16,150,185)</u>	<u>(1,888,843)</u>	<u>(18,039,028)</u>
Total	<u><u>(11,038,773)</u></u>	<u><u>(1,803,769)</u></u>	<u><u>(12,842,542)</u></u>

**Notes to the Financial Statements
FOR THE YEAR ENDED 31 AUGUST 2023**

1. STATUTORY INFORMATION

HATS Group Ltd is a private company, limited by shares, registered in England and Wales.

Registered Office:
c/o LSR Management Limited
C2A Comet Studios
De Havilland Court, Penn Street
Amersham
Buckinghamshire
HP7 0PX

Registered number: 03135655

Head Office:
44 Weir Road
Wimbledon
SW19 8UG

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the financial reporting standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Judgements in applying accounting policies and key sources of uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

Cash & cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales. All billable journey's are reconciled to billing and approved by local authorities only once approved are they recognised as turnover.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023**

2. ACCOUNTING POLICIES - continued

Residual values and useful lives

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 25% on reducing balance
Plant and machinery	- 25% on reducing balance
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 10% on cost

In determining estimated residual values and depreciation rates on vehicles, management considers many factors, including used car market conditions, anticipated holding periods, fleet mix, buyback guarantees and historic experience. Management regularly monitors residual values and the need, if any, to adjust depreciation rates.

The annual depreciation and amortisation charge on tangible fixed assets, goodwill and tangible assets are sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values of the assets are amended when necessary to reflect current estimates.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023**

2. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Going concern

The directors review the on going working capital of the company to ensure that there are sufficient resources to meet its financial liabilities to continue trading in the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on going concern basis.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently amortised at cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the discounted amount of the cash or other consideration, expected to be paid or received. However if arrangements of a short-term instrument constitute a financing transaction, like the payment of trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan at market rate, the financial asset or liability is measured, initially at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023

2. ACCOUNTING POLICIES - continued

Impairment of non financial assets

At each reporting date non-financial assets not carried at fair value, like tangible fixed assets, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less cost to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

3. EMPLOYEES AND DIRECTORS

	2023	2022
	£	£
Wages and salaries	38,160,790	26,645,543
Social security costs	47,723	1,842,555
Other pension costs	667,706	540,817
	<u>38,876,219</u>	<u>29,028,915</u>

The average number of employees during the year was as follows:

	2023	2022
Administration	578	570
Operations	<u>1,315</u>	<u>1,210</u>
	<u>1,893</u>	<u>1,780</u>

	2023	2022
	£	£
Directors' remuneration	<u>362,475</u>	<u>368,100</u>

Information regarding the highest paid director is as follows:

	2023	2022
	£	£
Emoluments etc	<u>180,000</u>	<u>186,000</u>

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023

4. OPERATING PROFIT

The operating profit is stated after charging:

	2023	2022
	£	£
Hire of plant and machinery	2,575,931	3,204,932
Depreciation - owned assets	747,771	693,254
Depreciation - assets on hire purchase contracts	2,455,792	1,275,117
Loss on disposal of fixed assets	85,934	110,754
Auditors' remuneration	25,000	15,000

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023	2022
	£	£
Factoring costs	-	41,578
Other interest payable	-	13,642
Hire purchase	1,106,628	573,376
	<u>1,106,628</u>	<u>628,596</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2023	2022
	£	£
Current tax:		
UK corporation tax	466,075	-
Deferred tax	580,839	319,357
Tax on profit	<u>1,046,914</u>	<u>319,357</u>

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023

6. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £	2022 £
Profit before tax	<u>2,869,688</u>	<u>2,901,685</u>
Profit multiplied by the standard rate of corporation tax in the UK of 25% (2022 - 19%)	717,422	551,320
Effects of:		
Expenses not deductible for tax purposes	-	26,713
Capital allowances in excess of depreciation	(249,024)	(347,135)
Partial year at 19%	(2,323)	-
Deferred tax on accelerated capital allowances	580,839	319,357
Enhanced expenditure	-	(230,898)
Total tax charge	<u>1,046,914</u>	<u>319,357</u>

7. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 September 2022 and 31 August 2023	<u>3,000</u>
AMORTISATION	
At 1 September 2022 and 31 August 2023	<u>3,000</u>
NET BOOK VALUE	
At 31 August 2023	<u>-</u>
At 31 August 2022	<u>-</u>

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023

8. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1 September 2022	380,847	1,222,297	550,059	22,387,792	24,540,995
Additions	-	591,758	4,054	7,533,769	8,129,581
Disposals	-	-	-	(339,071)	(339,071)
At 31 August 2023	380,847	1,814,055	554,113	29,582,490	32,331,505
DEPRECIATION					
At 1 September 2022	95,212	597,356	354,575	4,164,591	5,211,734
Charge for year	74,732	388,856	49,294	2,690,681	3,203,563
Eliminated on disposal	-	-	-	(253,138)	(253,138)
At 31 August 2023	169,944	986,212	403,869	6,602,134	8,162,159
NET BOOK VALUE					
At 31 August 2023	210,903	827,843	150,244	22,980,356	24,169,346
At 31 August 2022	285,635	624,941	195,484	18,223,201	19,329,261

The asset value of all fixed assets was reviewed within the financial period.

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their useful lives or the lease term, whichever is the shorter.

The interest element of those obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

9. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 September 2022 and 31 August 2023	202
NET BOOK VALUE	
At 31 August 2023	202
At 31 August 2022	202

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023

9. FIXED ASSET INVESTMENTS - continued

The company owns:-

101 (100%) of the share capital in Healthcare and Transport Services Limited, a dormant company registered in England and Wales 07368747.

101 (100%) of the share capital of HATS (On Demand) Limited, a dormant company registered in England and Wales 07368860..

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Trade debtors	3,287,047	4,840,977
Other debtors	2,531,914	3,188,562
VAT	2,841,089	1,501,057
Prepayments	692,183	367,737
	<u>9,352,233</u>	<u>9,898,333</u>

Short term debtors are measured at transaction price, less any impairment.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Bank loans and overdrafts (see note 13)	-	10,648
Hire purchase contracts (see note 14)	4,120,670	4,158,227
Trade creditors	1,975,497	1,912,004
Tax	466,075	-
Social security and other taxes	863,477	683,890
Net wages and drivers	160,061	119,083
Other creditors	215,039	240,000
Accruals and deferred income	2,696,908	2,961,964
	<u>10,497,727</u>	<u>10,085,816</u>

Short term 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.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023	2022
	£	£
Bank loans (see note 13)	-	26,928
Hire purchase contracts (see note 14)	13,918,358	11,954,382
Other creditors	-	373,514
	<u>13,918,358</u>	<u>12,354,824</u>

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023

13. LOANS

An analysis of the maturity of loans is given below:

	2023 £	2022 £
Amounts falling due within one year or on demand:		
Bank loans	<u>-</u>	<u>10,648</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>-</u>	<u>26,928</u>

14. LEASING AGREEMENTS

Minimum lease payments under hire purchase fall due as follows:

	2023 £	2022 £
Net obligations repayable:		
Within one year	4,120,670	4,158,227
Between one and five years	13,918,358	11,954,382
	<u>18,039,028</u>	<u>16,112,609</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2023 £	2022 £
Hire purchase contracts	<u>18,039,028</u>	<u>16,112,609</u>

Hire purchase liabilities are secured against relevant assets.

16. PROVISIONS FOR LIABILITIES

	2023 £	2022 £
Deferred tax		
Accelerated capital allowances	<u>1,585,672</u>	<u>1,004,832</u>
		Deferred tax
		£
Balance at 1 September 2022		1,004,832
Provided during year		<u>580,840</u>
Balance at 31 August 2023		<u>1,585,672</u>

**Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023**

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value: £1	2023	2022
Number:	Class:		£	£
1,000	Ordinary		<u>10,000</u>	<u>10,000</u>

18. RESERVES

	Retained earnings £
At 1 September 2022	10,883,736
Profit for the year	<u>1,822,774</u>
At 31 August 2023	<u>12,706,510</u>

19. CONTINGENT LIABILITIES

On the 30th of November 2020 the company transferred in from Healthcare and Transport Services Limited all of its trade, business, assets and liabilities. The company did not apply for HMRC clearance on this transaction prior to its effect and whilst the directors do not consider that a tax charge arises as a result of this, there is a possibility that HMRC could seek to review the transaction for any tax implications.

20. LEASE COMMITMENTS

At 31 August 2023 the company had future minimum lease payments under non-cancellable operating leases totalling £4,120,670 (2022 - £3,197,196)

21. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the company and amounted to £667,706 (2022: £546,886). Contributions totalling £195,638 were payable at the year end and are included in creditors.

22. RELATED PARTY DISCLOSURES

Anthony Howard Consultancy, a business owned and controlled by Mr A Howard

	2023	2022
	£	£
Consultancy fees	<u>120,000</u>	<u>120,957</u>

Healthcare Personnel Solutions Limited, a company owned and controlled by Mr A Howard

	2023	2022
	£	£
Purchases	760,795	701,227
Amount due to related party	<u>-</u>	<u>10,772</u>

Notes to the Financial Statements - continued
FOR THE YEAR ENDED 31 AUGUST 2023

22. RELATED PARTY DISCLOSURES - continued

Transport Resource Services Limited, a company owned and controlled by Mr H Bilinski

	2023	2022
	£	£
Purchases	1,988,092	1,753,422
Amount due from related party	2,531,914	3,031,712
Amount due to related party	-	76,086

23. POST BALANCE SHEET EVENTS

There are no post balance sheet events to declare this financial year.

24. FUNCTIONAL & PRESENTATIONAL CURRENCY

The company's functional and presentational currency is GBP (£).

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.