

**Company Registration No. 03545071**

**Sugarman Group Limited**

**Report and Financial Statements**

**For the 18 month period ended 31 December 2016**



# **Sugarman Group Limited**

## **Report and financial statements for 18 month period ended 31 December 2016**

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# **Sugarman Group Limited**

## **Report and financial statements for 18 month period ended 31 December 2016**

### **Officers and professional advisers**

#### **Directors**

P Ullmann  
C Kenneally  
J Ullmann

#### **Secretary**

A Connor

#### **Registered Office**

Chevron House  
346 Long Lane  
Hillingdon  
Middlesex  
UB10 9PF  
England

#### **Bankers**

National Westminster Bank Plc  
72-74 Hugh Street  
Watford  
Herts  
WD17 2GZ

#### **Solicitors**

Gateley Plc  
111 Edmund St  
Birmingham  
B3 2HJ

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London

# Sugarman Group Limited

## Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Business review

The principal activity of the Company is managed workforce solutions. The directors are not aware at the date of this report of any likely major changes in the Company's activity in the next year.

During the period the accounting reference date was changed from 30 June to 31 December, creating a current period of 18 months ("the period"). The prior period consisted of 12 months to 30 June 2015.

During the period a number of external factors have impacted Company performance which included the BREXIT decision, and the consequent uncertainty, and monitor caps in the healthcare sector. Whilst a number of these have negatively impacted near-term trading, they have also created medium term opportunity, a renewed focus on optimising the business structure, and a forging of closer relationships with customers as they all face similar challenges.

The trading results of the 18 month period and the Company's financial position at the end of the period are shown in the attached financial statements.

### Key performance indicators

#### Financial

The financial performance of the Company is measured using the following key performance indicators:

- 1) Operating profit in the 18 month period to 31 December 2016 was £2,211,769 (12 months to 30 June 2015: £3,466,957). The company maintained its Gross Margin at 22%, however with sales impacted by the Monitor caps and administration costs increasing following an office move, the overall overhead base increased from 14% to 18%, thus reducing the Operating Profit from 7.4% to 3.5%. The company is now focused on reducing overheads in 2017 and improving the operating profit by further developing its business model into less restricted markets.
- 2) Cash collection is an important part of effective working capital management. During the 18 month period to 31 December 2016 average debtor days were 35 days (12 months to 30 June 2015: 44 days). The debtor day improvement was ahead of expectation.
- 3) The Company is committed to working in partnership and building long-term relationships with its suppliers. Each period the Company reviews its creditor policies and average creditor day terms. Creditor days for the Company at 31 December 2016 are 38 Days (30 June 2015: 50 days).

#### Non-Financial

An important non-financial measure is payroll accuracy. The Company is a large employer and strives to ensure that a minimum of 99% of all employees are paid accurately and on time. During the 18 month period the Company achieved payroll accuracy exceeding 99.7% (2015: 99.7%). This is measured by comparing the number of employee payments against the number of pay claims.

### Principal business risks and uncertainties

The directors consider strategic, operational and financial risks and identify actions to mitigate those risks on a regular basis. The principal risks and uncertainties are detailed below:

#### Economic/Competitive risk

The Company operates across a spectrum of markets, during the period the BREXIT decision initially created some uncertainty in the professional labour markets, both in terms of demand and supply. Competitors in the managed services markets range from large multi-national organisations to small privately-owned businesses. In all markets the Company is continually subject to competition from both existing and new competitors. The costs of entry to the market can be relatively low, however, in certain specialist sectors these costs can rise on the back of increased levels of compliance required by local regulators and clients.

# **Sugarman Group Limited**

## **Strategic report (continued)**

### **Principal business risks and uncertainties (continued)**

#### ***Technology systems***

The Company is reliant on a number of technology systems in providing its services to clients, systems which it is constantly enhancing to reduce manual interventions. To mitigate the loss of connectivity and data, systems are located both in-house and also in various external data centres. The business continues to review and enhance its ability to cope with the loss of a technology system as a result of a significant event.

#### ***Regulatory environment***

The staffing industry is governed by an increasing level of compliance. Additionally, clients require more complex levels of compliance in their contractual arrangements. The Company takes its responsibilities seriously, is committed to meeting all of its regulatory responsibilities, which include changes to national minimum wage legislation, and continues to develop its internal controls and processes with respect to legal and contractual obligations.

### **Future developments and events after the balance sheet date**

On 30 June 2017 ABN Amro joined the banking syndicate which provides financing facilities to the Cordant Group which the Company is party to. The directors completed a review of the business and agreed terms with the Royal Bank of Scotland ('RBS'), Barclays Bank Plc ('Barclays') and ABN Amro ('ABN') until August 2018, which includes a term loan of £11.5m and a £110m invoice discounting facility.

The directors expect the general level of activity to increase over the forthcoming year. This is as a result of ongoing investment into key target markets, a heightened focus on delivering what the customer wants and through investment in new IT platforms.

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



P Ullmann  
Director

28 July 2017

# **Sugarman Group Limited**

## **Directors' report**

The directors present their report on the affairs of the Company and the audited financial statements for the 18 month period ended 31 December 2016.

### **Future developments and events after the balance sheet date**

Details of any future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 2 to 3 and form part of the report by cross reference.

### **Going concern**

A review of business performance, together with a description of the Company's principal risks and uncertainties is set out in the Strategic Report. The Company is party to the financing facilities of Cordant Group where the directors have recently completed a review of the business and have agreed terms with the Royal Bank of Scotland ('RBS'), ABN Amro (ABN) and Barclays Bank Plc ('Barclays') until August 2018, which include a term loan of £11.5m, and a £110m invoice discounting facility.

On 30 June 2017 ABN Amro joined the banking syndicate, adding further strength and depth to the club.

Management have taken, and will continue to take steps, to reduce overhead costs and improve operating efficiency and are confident that the Company has adequate resources to continue operating for the foreseeable future.

Although the current economic environment creates uncertainty, the Company's forecasts and projections, which take account of reasonably possible changes in performance and the risks and uncertainties documented below, indicate that it will be able to operate within the level of its facilities for the foreseeable future being a period of at least 12 months from the date of approval of the financial statements.

Consequently, the going concern principle has been adopted in preparing the report and accounts (see note 1).

### **Financial risk management objectives and policies**

The Company utilises various financial instruments including invoice discounting, term loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these is to raise finance for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below.

The main risks arising from the Company's financial instruments are market risk, interest rate risk, credit risk, and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

#### ***Market risk***

Market risk encompasses two types of risk, being interest rate and market price risk. Interest rate risk is considered below. Market price risks are constantly reviewed by management in each operation.

#### ***Interest rate risk***

The Company finances its operations through a mixture of retained profits, term loans and an invoice discounting facility. The exposure to interest rate fluctuations on borrowings is managed by the use of both fixed and floating rate facilities.

#### ***Credit risk***

The Company's principal financial assets are trade debtors.

In order to manage credit risk the directors set credit limits for customers based on a combination of third party credit references and payment history. Credit limits are reviewed by the business credit controllers on a regular basis in conjunction with debt ageing and collection history. The Company has credit insurance in place to cover the majority of receivables.

# **Sugarman Group Limited**

## **Directors' report (continued)**

### **Financial risk management objectives and policies (continued)**

#### ***Liquidity risk***

The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet the foreseeable cash needs of the business. The Company has, as part of the Cordant Group, agreed an invoice discounting facility with RBS, Barclays and ABN.

#### **Dividends**

The directors paid a dividend of £2,000,000 (£15.16p per ordinary share) in the 18 month period to 31 December 2016 (30 June 2015: £1,000,000 (£7.58p per ordinary share)) to its parent company, Cordant People Limited. The directors have not proposed any dividends during the period.

#### **Directors**

The directors who served during the period and to the date of this report except as noted were as follows:

P Ullmann

J Ullmann

C Kenneally (appointed 17 September 2015)

S Kirkpatrick (resigned 21 July 2015)

#### **Directors' and officers' liability**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

#### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee consultation**

The Company places considerable value on the involvement of its employees in the businesses and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and information bulletins. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **Donations**

During the 18 month period to 31 December 2016, the Company made charitable contributions of £420 (12 months to 30 June 2015: £1,622), principally to local charities serving the communities in which the Company operates. The Company made no political donations in the current period or prior year.

#### **Supplier payment policy**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Creditor days for the Company at 31 December 2016 are 38 days (30 June 2015: 50 days).

# **Sugarman Group Limited**

## **Directors' report (continued)**

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Board meeting.

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



P Ullmann  
Director

28 July 2017



# **Sugarman Group Limited**

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial period. 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) including FRS 102, "The financial reporting standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **Independent Auditor's Report to the Members of Sugarman Group Limited**

We have audited the financial statements of Sugarman Group Limited for the 18 month period ended 31 December 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the profit for the 18 month period 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial period 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.

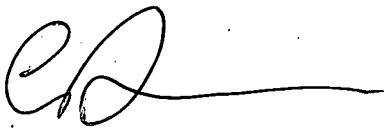
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

## **Independent auditor's report to the members of Sugarman Group Limited (continued)**

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

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 Company, 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.



Christopher Donovan FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
24 July 2017

## Sugarman Group Limited

### Profit and loss account for the 18 month period ended 31 December 2016

	Notes	18 month ended 31 December 2016 £	Year ended 30 June 2015 £
<b>Turnover</b>	3	63,803,704	46,358,769
Cost of sales		(49,879,217)	(36,059,534)
<b>Gross profit</b>		13,924,487	10,299,235
Administration expenses		(11,712,718)	(6,832,278)
<b>Operating profit</b>		2,211,769	3,466,957
Interest payable and similar charges	4	(81,058)	-
<b>Profit on ordinary activities before tax</b>	5	2,130,711	3,466,957
Tax on profit on ordinary activities	8	12,203	(722,479)
<b>Profit on ordinary activities after tax</b>		2,142,914	2,744,478

All results derive from continuing operations.

There have been no gains or losses in either the current or preceding year other than the profit for the financial year, and consequently a separate statement of other comprehensive income has not been presented.

The accompanying notes on pages 13 to 24 are an integral part of these financial statements.

# Sugarman Group Limited

## Balance sheet as at 31 December 2016

	Notes	31 December 2016 £	30 June 2015 £
<b>Non-current assets</b>			
Tangible assets	10	286,939	354,600
Investments	11	49	49
		<u>286,988</u>	<u>354,649</u>
<b>Current assets</b>			
Debtors	12	12,443,540	13,324,953
		<u>12,443,540</u>	<u>13,324,953</u>
<b>Creditors: amounts falling due within one year</b>	13	(2,504,087)	(3,583,872)
<b>Net current assets</b>		<u>9,939,453</u>	<u>9,741,081</u>
<b>Total assets less current liabilities</b>		<u>10,226,441</u>	<u>10,095,730</u>
<b>Provisions for liabilities</b>	14	(1,609)	(13,812)
<b>Net assets</b>		<u>10,224,832</u>	<u>10,081,918</u>
<b>Capital and reserves</b>			
Called-up share capital	15	131,913	131,913
Profit and loss account		<u>10,092,919</u>	<u>9,950,005</u>
<b>Shareholders' funds</b>		<u>10,224,832</u>	<u>10,081,918</u>

The accompanying notes on pages 13 to 24 are an integral part of these financial statements.

The financial statements of Sugarman Group Limited, registered in England and Wales (company number 03545071), were approved by the Board of Directors on 28 July 2017 and signed on its behalf by:



P Ullmann  
Director

## Sugarman Group Limited

### Statement of changes in equity for the 18 months ended 31 December 2016

	Note	Called-up share capital £	Profit and loss account £	Total £
<b>At 1 July 2014</b>		131,913	8,205,527	8,337,440
Profit and total comprehensive income for the year		-	2,744,478	2,744,478
Dividends paid on equity shares	9	-	(1,000,000)	(1,000,000)
<b>At 30 June 2015</b>		131,913	9,950,005	10,081,918
Profit and total comprehensive income for the period		-	2,142,914	2,142,914
Dividends paid on equity shares	9	-	(2,000,000)	(2,000,000)
<b>At 31 December 2016</b>		131,913	10,092,919	10,224,832

The accompanying notes on pages 13 to 24 are an integral part of these financial statements.

# **Sugarman Group Limited**

## **Notes to the financial statements Period ended 31 December 2016**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year.

#### **a. General information and basis of accounting**

Sugarman Group Limited is a Company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) applicable in the United Kingdom and Republic of Ireland, and the Companies Act 2006.

This is the first time that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 and the date of transition to FRS 102 was therefore 1 July 2014. Information on the impact of first time adoption of FRS 102 is given in note 20.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken advantage of the exemption from the requirement to prepare consolidated accounts available under section 400 of the Companies Act 2006. The Company is consolidated in the financial statements of its parent, Cordant Group PLC, which may be obtained at Chevron House, 346 Long Lane, Hillingdon, Middlesex, UB10 9PF.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of disclosure exemptions available to it in respect of these separate Company financial statements. Exemptions have been taken in relation to presentation of a cash flow statement, financial instruments, remuneration of key management personnel and intra-group transactions.

#### **b. Going concern**

A review of business performance, together with a description of the Company's principal risks and uncertainties is set out in the Strategic Report. The Company is party to the financing facilities of Cordant Group where the directors have recently completed a review of the business and have agreed terms with the Royal Bank of Scotland ('RBS'), ABN Amro (ABN) and Barclays Bank Plc ('Barclays') until August 2018, which include a term loan of £11.5m, and a £110m invoice discounting facility. On the 30 June 2017 ABN Amro joined the banking syndicate, adding further strength and depth to the club.

Management have taken, and will continue to take steps, to reduce overhead costs and improve operating efficiency and are confident that the Company has adequate resources to continue operating for the foreseeable future.

Although the current economic environment creates uncertainty, the Company's forecasts and projections, which take account of reasonably possible changes in performance and the risks and uncertainties, indicate that the Company will be able to operate within the level of its facilities for the foreseeable future being a period of at least 12 months from the date of approval of the financial statements.

Consequently, the going concern principle has been adopted in preparing the report and accounts.

#### **c. Tangible assets**

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	20% per annum
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# **Sugarman Group Limited**

## **Notes to the financial statements (continued)** **Period ended 31 December 2016**

### **1. Accounting policies (continued)**

#### **d. Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

#### **e. Taxation**

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the rate applying of the financial statements on the basis that expected future changes in tax rates will not have a material effect. Deferred tax is measured on a non-discounted basis.

#### **f. Turnover**

Turnover represents amounts derived from the provision of services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax.

Turnover from the supply of services represents value of services under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of services provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### **g. Employee Benefits**

The Company operates a defined pension contribution scheme, for which the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **h. Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

In accordance with Section 35 of FRS102, Section 20.15A of FRS102 has not been applied in these financial statements to those leases with incentives that commenced prior to the date of transition.



# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 1. Accounting policies (continued)

#### l. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### (ii) Investments

Investments in subsidiaries are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

##### (iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

##### (iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### m. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

# Sugarman Group Limited

## Notes to the financial statements (continued)

Period ended 31 December 2016

### 1. Accounting policies (continued)

#### m. Impairment of assets (continued)

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

#### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### n. Working capital finance facilities

The Company has access to working capital finance facilities provided by its bankers in the form of a confidential trade receivables finance facility which is secured by a fixed and floating charge over the Company's assets. The borrowings under this are included within 'Creditors: amounts falling due within one year' (see note 13) on the Company's balance sheet and the facility is secured specifically against the Company's trade receivables. Trade receivables which have been discounted are included within 'Trade debtors: amounts falling due within one year' in the Company's balance sheet.

#### o. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not consider that there are any areas of key judgements or estimation uncertainty within the Company's financial statements.

### 3. Turnover

The total turnover of the Company for the period has been derived from its principal activity, the provision of manpower services, and is wholly undertaken in the United Kingdom.

### 4. Interest payable and similar charges

	18 months period ended 31 December 2016 £	Year ended 30 June 2015 £
On amounts payable in relation to invoice factoring	81,058	-

### 5. Profit on ordinary activities before taxation

	18 months period ended 31 December 2016 £	Year ended 30 June 2015 £
Profit on ordinary activities before taxation is stated is after charging:		
Depreciation on owned tangible assets	155,296	48,722
Auditor's remuneration		
- Fees payable to the Company's auditor for the audit of the accounts	37,620	22,000

# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 6. Information regarding directors and staff costs

The average monthly number of employees (including directors) during the period was:

	18 months period ended 31 December 2016 No.	Year ended 30 June 2015 No.
Administration	119	94
	<u>119</u>	<u>94</u>

Their aggregate remuneration comprised:

	18 months period ended 31 December 2016 £	Year ended 30 June 2015 £
Their aggregate remuneration comprised:		
Wages and salaries	7,959,924	4,726,060
Social security costs	860,360	566,044
Other pension costs	40,515	23,408
	<u>8,860,804</u>	<u>5,315,512</u>

### 7. Directors' emoluments

The remuneration of the directors is borne by another Cordant Group Plc company of which they are directors. The portion of this remuneration which relates to the Company is considered to be £ nil in the current and prior year. The disclosure of such emoluments and pension details can be found in the financial statements of Cordant Group Plc.

# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 8. Tax on profit on ordinary activities

	18 months period ended 31 December 2016 £	Year ended 30 June 2015 £
The taxation charge comprises:		
<b>Current taxation</b>		
United Kingdom corporation taxation	-	719,686
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(12,120)	2,897
Change in tax rate	(83)	(104)
<b>Total deferred tax</b>	(12,203)	2,793
<b>Total tax on profit on ordinary activities</b>	(12,203)	722,479

The calculation of deferred tax at the balance sheet date is based on the main rate of corporation tax of 20% which applied at that date. From 1 April 2017 the main rate of corporation tax reduced to 19% and the Government enacted further reductions to the main rate down to 17% effective on 1 April 2020. The relevant rate reductions are not yet reflected in these financial statements, as they are a non-adjusting event occurring after the reporting period. The future rate change to 17% will not have a material impact on the financial statements.

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

	18 months period ended 31 December 2016 £	Year ended 30 June 2015 £
Profit on ordinary activities before taxation	2,130,711	3,466,957
Tax on profit on ordinary activities at standard UK corporation taxation rate of 20% (2015: 20.75%)	426,142	719,394
Effects of:		
Expenses not deductible for tax purposes	381	3,189
Change in tax rate	(83)	(104)
Group relief	(438,643)	-
<b>Total tax (credit)/charge for the period</b>	(12,203)	722,479

# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 9. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	18 months period ended 31 December 2016 £	Year ended 30 June 2015 £
Final dividend for the period ended 31 December 2016 of £15.16p (30 June 2015: £7.58p) per ordinary share.	2,000,000	1,000,000
	<u>2,000,000</u>	<u>1,000,000</u>

### 10. Tangible assets

	Fixtures and fittings £
<b>Cost</b>	
At 1 July 2015	506,846
Additions	87,637
At 31 December 2016	<u>594,483</u>
<b>Depreciation</b>	
At 1 July 2015	152,246
Charge for the period	155,298
At 31 December 2016	<u>307,544</u>
<b>Net book value</b>	
At 31 December 2016	<u>286,939</u>
At 30 June 2015	<u>354,600</u>

### 11. Investments

	Subsidiary undertakings £
<b>Cost and net book value</b>	
At 1 July 2015 and 31 December 2016	<u>49</u>

# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 11. Investments (continued)

The Company has investments in the following subsidiary undertakings.

Subsidiary undertakings	Country of incorporation or principal business address	Principal activity	Proportion of Ordinary shares held by the Company
Sugarman Medical Limited	England & Wales	Professional Staffing	100%*
Sugarman Social Work Limited	England & Wales	Professional Staffing	100%*
Sugarman International (Australia)	Australia	Professional Staffing	100%*
Sugarman PE& SEN Limited	England & Wales	Professional Staffing	100%*
Sugarman Medical Group Limited	England & Wales	Professional Staffing	100%*
Sugarman Education Group Limited	England & Wales	Professional Staffing	100%*
Sugarman Mind Limited	England & Wales	Professional Staffing	100%*
Sugarman SE Limited	England & Wales	Professional Staffing	100%*

\*The investments in the subsidiaries marked with an asterisk are held indirectly.

The registered office address Chevron House, 346 Long Lane, Hillingdon, Middlesex, United Kingdom applies to all subsidiaries incorporated in England & Wales. The registered office of Sugarman International (Australia) is Suite 510 410, Elizabeth Street, Surry Hills, NSW 2010, Australia

### 12. Debtors

	31 December 2016 £	30 June 2015 £
<b>Amounts falling due within one year:</b>		
Trade debtors	4,942,019	7,310,320
Amounts owed by group undertakings	6,523,065	5,093,101
Other debtors	93,808	25,956
Prepayments and accrued income	498,665	895,576
UK corporation tax	385,983	-
	<u>12,443,540</u>	<u>13,324,953</u>

Amounts due from group undertakings are non-interest bearing and repayable on demand.

# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 13. Creditors: amounts falling due within one year

	31 December 2016 £	30 June 2015 £
Bank overdraft	45,378	969,852
Trade creditors	292,130	320,828
Corporation tax	-	37,736
Other taxation and social security	723,512	666,786
Accruals and deferred income	1,007,916	908,170
Other creditors	435,151	6,80,500
	<u>2,504,087</u>	<u>3,583,872</u>

Included in accruals are amounts owing for pension contributions of £7,129 (30 June 2015: £18,186).

On 30 June 2017 ABN Amro (ABN) joined the banking syndicate and the Company entered into a new invoice discounting facility with RBS, Barclays and ABN. Interest on the invoice discounting facility is charged at Base Rate + 2.5%.

### 14. Provision for liabilities

Deferred tax is provided as follows:

	£
At 1 July 2015	(13,812)
Credited to profit and loss account	12,203
	<u>(1,609)</u>
At 31 December 2016	<u>(1,609)</u>

The deferred tax (liability) is analysed as follows:

	31 December 2016 £	30 June 2015 £
Fixed assets timing difference	(1,609)	(13,812)
	<u>(1,609)</u>	<u>(13,812)</u>

A deferred tax asset has been recognised because in the opinion of the directors, sufficient future taxable profits will be generated to allow utilisation of these amounts.

The deferred tax balance was calculated using 20%, expected future changes in the tax rate will not have a material effect on this balance.

The Directors do not expect the amount of deferred tax, reversing in the year beginning after the reporting period to be significant.



# Sugarman Group Limited

## Notes to the financial statements (continued) Period ended 31 December 2016

### 15. Called-up share capital

	31 December 2016 £	30 June 2015 £
<b>Called-up, allotted and fully paid</b>		
98,750 ordinary shares of £1 each	98,750	98,750
31,912 "A" ordinary shares of £1 each	31,913	31,913
1,250 "B" ordinary shares of £1 each	1,250	1,250
	<u>131,913</u>	<u>131,913</u>

The Company has one class of ordinary shares which carry no right to fixed income.

### 16. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2016		30 June 2015	
	Land and buildings £	Other £	Land and buildings £	Other £
within one year	330,262	34,565	342,033	37,228
between one and five years	987,229	21,077	1,289,223	69,533
after five years	-	-	181,984	-
	<u>1,317,491</u>	<u>55,642</u>	<u>1,813,240</u>	<u>106,761</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessor to pay all insurance, maintenance and repair costs.

### 17. Related party transactions

As a subsidiary undertaking of Cordant Group plc, the Company has taken advantage of the exemption in FRS 102 Section 33 "Related Party Disclosures" from disclosing transactions with other wholly-owned members of the group headed by Cordant Group Plc. There were no transactions with other related parties.

### 18. Employee benefits

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the 18 month period ended 31 December 2016 was £40,515. (Year ended 30 June 2015: £23,408).

# **Sugarman Group Limited**

## **Notes to the financial statements (continued)** **Period ended 31 December 2016**

### **19. Controlling party**

At the balance sheet date the immediate parent undertaking was Cordant People Limited (formerly Prime Time Recruitment Limited) and the ultimate parent undertaking was Cordant Group Plc, both companies registered in England and Wales (2015: same). There was no controlling party at the balance sheet date.

The largest and smallest group of which Sugarman Group Limited is a member and for which group financial statements are drawn up is that headed by Cordant Group Plc, a company incorporated on 12 June 1997, whose financial statements are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. The registered office of Cordant Group Plc and Sugarman Group Limited is Chevron House, 346 Long Lane, Hillingdon, Middlesex, UB10 9PF, United Kingdom.

### **20. FRS 102 Transition**

This is the first period that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 than the date of transition to FRS 102 was 1 July 2014. As a consequence of adopting FRS 102, there were no changes to equity or profit for the current and preceding period.