

# **Optionis Limited**

Annual report and financial statements  
For the year ended 31 October 2020



**Registered number: 09199221**

## **OPTIONIS LIMITED – COMPANY INFORMATION**

|                            |                                                                       |
|----------------------------|-----------------------------------------------------------------------|
| <b>Directors</b>           | W J Catterick<br>D J Crawford<br>J S Newman                           |
| <b>Registered number</b>   | 09199221                                                              |
| <b>Registered office</b>   | KD Tower Cotterells<br>Hemel Hempstead<br>Hertfordshire<br>HP1 1FW    |
| <b>Independent auditor</b> | BDO LLP<br>3 Hardman Street<br>Spinningfields<br>Manchester<br>M3 3AT |

## **OPTIONIS LIMITED – CONTENTS**

|                                                     |           |
|-----------------------------------------------------|-----------|
| <b>Introduction</b>                                 |           |
| Chief Executive's statement                         | <b>2</b>  |
| <b>Strategic report</b>                             |           |
| Business overview                                   | <b>5</b>  |
| Strategic objectives and key performance indicators | <b>6</b>  |
| Section 172 statement                               | <b>8</b>  |
| Risk management                                     | <b>12</b> |
| Financial overview                                  | <b>15</b> |
| People                                              | <b>18</b> |
| Corporate and social responsibility                 | <b>19</b> |
| <b>Directors' report</b>                            | <b>20</b> |
| <b>Corporate governance report</b>                  | <b>23</b> |
| <b>Independent auditors' report</b>                 | <b>26</b> |
| <b>Consolidated income statement</b>                | <b>29</b> |
| <b>Consolidated balance sheet</b>                   | <b>30</b> |
| <b>Company balance sheet</b>                        | <b>31</b> |
| <b>Consolidated statement of changes in equity</b>  | <b>32</b> |
| <b>Company statement of changes in equity</b>       | <b>32</b> |
| <b>Consolidated statement of cash flows</b>         | <b>33</b> |
| <b>Notes to the financial statements</b>            | <b>34</b> |

## **OPTIONIS LIMITED – INTRODUCTION**

### **CHIEF EXECUTIVE’S STATEMENT**

As I set out in my report last year, my key area of focus since joining the Optionis group on 8 July 2019 has been to develop a long-term strategic plan and vision for the group.

We commenced a process in December 2019 to create a vision as to how we would like the Optionis group to look and to feel over the coming years. We reached out to every single person in the Optionis group in a series of structured workshops to make sure we hear what our people think and ran a series of workshops with the executive and senior management team into which we have fed the key messages from the business. The outputs from all of this work were collated, finalised and presented at our “V festival” on 12 May 2020 where we presented back to all of our employees the purpose, vision and values for the future of our business. Alongside developing the long term purpose vision and values we have also made progress in a number of specific strategic areas which are set out below.

#### **Executive team**

As part of our strategic review we have considered the balance and skills within the group’s executive and senior management team to identify any gaps. As a result we have made a number of key executive team appointments in the past year with William Catterick being promoted to Chief financial officer, Karen Pay joining as Chief people officer, Neal Preece joining as Chief digital officer, Tony Killeen joining as Chief operating officer, Jonathan James joining as Chief information officer and most recently Greetje Brosens joining as Chief sales officer. These appointments build and enhance on the existing skill sets in the business as well as bringing substantial experience of delivering transformational strategic change and driving growth.

The executive team and I are excited to take on the challenge of driving the group’s future growth, while building on the group’s history and heritage as the leading market provider of contractor solutions.

#### **Business review**

In many respects the performance of the business was a story of two “halves” pre and post Covid 19.

The period preceding the pandemic was arguably the strongest the group has performed as the work undertaken to build and strengthen our sales and operational teams began to deliver growth. As a result in the 5 month period to 31 March 2020 we achieved net growth in our client base, our joiners were up 23% year on year and were substantially ahead of any previous year, and our service linked leavers in our accountancy business were 24% lower than the equivalent period in any previous year. These successes did not happen overnight and were the result of a huge amount of hard work that began in the second half of the prior year.

While we must acknowledge the positive impact the (ultimately deferred) IR35 reforms had on the Umbrella market, it is easy to forget, given the subsequent pandemic, the period was also affected by: an election in December 2019 where all parties referenced potentially reviewing the IR35 reforms; and, Brexit uncertainty, both of which created economic and market uncertainty that slowed momentum in the first quarter of the year. Against that backdrop the record- breaking performance and growth was extremely pleasing and expected to increase as we headed towards the second half of the year.

However, it is safe to say that 2020 will likely always be remembered for the impact the Covid-19 pandemic had on all of our lives and the UK and global economy. When the impact of the pandemic first became apparent our key priorities were our employees’ well-being and servicing our clients effectively. As lockdown restrictions were imposed, the business was able to manage a transfer to a remote working operating model rapidly, ensuring that our employees could be kept as safe as possible and maintaining a full service for our clients. While a substantial majority of our people were able to move to remote working in order to ensure the environment was as safe as possible for the small minority of roles that could not be completed remotely we conducted a full health and safety review and updated our office spaces and working practices to reflect the recommendations.

## **OPTIONIS LIMITED – INTRODUCTION (continued)**

### **CHIEF EXECUTIVE'S STATEMENT (continued)**

#### **Business review (continued)**

The impact the pandemic had on the business was most significant during the first lockdown during which we saw a substantial reduction in recruitment activity with joiners falling 67% in quarter 3 (May to July) which was also down by 52% year on year. However, following the end of the lockdown we have seen a steady consistent recovery in our joiners performance, which had recovered to be consistent with the prior year by the end of the financial year. It is even more pleasing to report that our performance post year end is now running ahead of pre-pandemic levels despite the second and third national lockdowns affecting the period. This performance is a testament to the development and improvements made to the business over the past 18 months and the consistently excellent service delivered by our people both before and after the impact of the pandemic.

On behalf of the board, I would like to thank all of our people for their efforts during this period and in particular the individuals who swiftly delivered our remote working solution and the key employees that remained office-based to continue essential functions.

#### **Strategic and proposition developments**

A key area of focus for us in the past year has been to review our proposition to ensure it continues to meet our clients and suppliers needs in an evolving market. This review has involved us both working with a consultancy firm to review our historic performance, market share and evolution and future opportunities and undertaking an internal review of our internal teams and surveying our customers to understand their evolving needs.

As a result of this work, we have developed and launched the following enhancements to our proposition: our Construction Industry Scheme ("CIS") product; our Professional Employer Organisation ("PEO") model; our sole trader offering, and, most recently, our updated core Accountancy proposition that incorporates a seamless dual option to operate through a limited company or Umbrella solution depending on whether an assignment is determined inside or outside IR35. Taken together these launches substantially enhance the proportion of the agile workforce we can support and ensure our offering is evolving to deliver what is needed in a changing market.

Another key opportunity identified has been the development of our Digital presence. Following the appointment of Neal Preece as our Chief digital officer we have undertaken a complete review of the overall marketing and digital functions identifying gaps in our skills and knowledge and making several appointments to build this function. We have already started to see benefits in our online presence in terms of both generation of leads and joiners but, as importantly, enhancing our communication streams to our clients and suppliers enabling us to build greater engagement with both.

Overall, the past year has seen a great step forward in the development of the business and as we look to the future there remains substantial opportunity to further develop and grow our business to deliver our vision.

#### **Group performance**

As outlined above the group has experienced a challenging year against a background of the political uncertainty arising from the election and Brexit in the first quarter of the year and the subsequent impact of the Covid-19 pandemic. Against this backdrop the group has seen gross income increase by 33.4% to £435.9m (2019: £326.7m), net fee income (defined as "Revenue less costs of employee contractors") decrease by 10.3% to £41.9m (2019: £46.7m), adjusted EBITDA (defined as "Earnings before interest, tax, depreciation, amortisation, loss on disposal and exceptional expenses") decreasing 9.9% to £16.4m (2019: £18.2m) and adjusted EBITDA margin (calculated as adjusted EBITDA divided by net fee income) increased slightly to 39.1% (2019: 39.0%).

**OPTIONIS LIMITED – INTRODUCTION (continued)**  
**CHIEF EXECUTIVE'S STATEMENT (continued)**

**Outlook**

Our business model has proven to be resilient, agile and adaptable throughout the Covid-19 pandemic, with little to no impact on business continuity. Whilst substantial uncertainty remains in the UK and Global economies and recruitment market linked to the pandemic we remain well placed to continue delivering our organic growth strategy, balancing investment in the business with prevailing market conditions, maintaining strict cost discipline and identifying inorganic growth opportunities that fit our culture. This belief is founded on our group's business model and commitment to delivering exceptional client focused service meaning we are well positioned to take advantage of the increased requirement for umbrella services as a result of the IR35 reforms and incrementally grow our client numbers.

This confidence is built on the continued efforts and adaptability of the people within the group who continue to be the greatest asset of the business and with whom I believe we will be well placed to excel in the future.

A handwritten signature in black ink, appearing to read 'Doug Crawford', is positioned above the printed name.

**Doug Crawford**

**Chief executive officer**

**26 February 2021**

## OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020

### BUSINESS OVERVIEW

Optionis is the market-leading professional services provider to contractors, specialising in accountancy, tax and umbrella employment solutions. We have ten offices and over 500 internal employees and over 7,000 operating contractors, across the UK, with our Headquarters in Warrington. Each of the brands that make up the Optionis family deliver excellent levels of client service, and we are always looking for opportunities to enhance this and further improve our clients' experience.

#### Our vision

Liberating and connecting the agile workforce community through:

- market leading propositions and solutions;
- unrivalled service and expertise; and
- innovative technology.

#### Our values

We deliver this vision by upholding our values which are:

- **We are one Team** – We cannot be at our best without the support of a wider team. We know that each of us plays a vital part in delivering amazing service-to each other and to our customers and we have fun along the way.
- **We thrive when we are at our best** - We take pride in offering the best advice, leading the market, and achieving excellence in all that we do. We believe in ourselves.
- **We're always learning** – To be the best we keep learning, growing and evolving our knowledge, our processes and our ways of working. We are brave in pushing boundaries whilst remaining compliant.
- **We lead by example** – Our character is as important as our technical expertise. Striving for excellence never means compromising on our respect for others, integrity in decision-making or risking the trust our customers have in us. As an employer of choice, how we work is as important as the results we deliver.

Not only are we dedicated to encouraging our employees to progress with us through our investment in training and development, but we ensure excellent service for our clients and provide them the tools they need.

#### Our business model and brands

Optionis is built on a foundation of delivering fixed fee, limited company accountancy, tax and employment services to contractors and freelancers through our award-winning brands. The mix of brands delivering our services offers a full range of services to the contractor and small business market via multiple sales channels and price points.



## OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)

### STRATEGIC OBJECTIVES AND KEY PERFORMANCE INDICATORS

#### 1. Growing our business

Our aim is to build high-quality revenues that both deliver growth in our profitability and support our ongoing investment into our business to ensure we continue to deliver a market leading service to our clients.

##### Key Initiatives:

- Investing in opportunities that support organic and inorganic growth.
- Investing in our people to ensure they have the skills required to continue to deliver excellent service.
- Investing in our IT infrastructure to improve our service delivery and efficiency.
- Promoting ongoing cost discipline to preserve our market leading margin.

##### Progress in 2020:

- Continuation of a strategic review of the business to develop and launch our new long-term vision.
- Development and launch of our new CIS, PEO and sole trader offerings.
- Ongoing development of a new Umbrella system to ensure we provide our contractor employees and our agency partners a simple to use, transparent, market leading platform.

| Key performance indicators |    | 2020  | 2019  | Variance |
|----------------------------|----|-------|-------|----------|
| Net fee income             | £m | 41.9  | 46.7  | (10.3%)  |
| Adjusted EBITDA            | £m | 16.4  | 18.2  | (9.9%)   |
| Adjusted EBITDA margin     |    | 39.1% | 39.0% | 0.1%     |

A reconciliation of adjusted EBITDA has been provided in Note 4. Net fee income reduction in the year is a result of decreasing accountancy clients as a result of IR35 changes and the ongoing COVID-19 pandemic. Reduction in adjusted EBITDA is wholly linked to the reduction in net fee income, with adjusted EBITDA margin in-line with the previous period.

#### 2. Delivering a quality service

Our aim is to provide our clients with a market leading quality of service to ensure we maintain our brand reputation and competitive position.

| Key performance Indicators |             | 2020   | 2019   | Variance |
|----------------------------|-------------|--------|--------|----------|
| Number of clients          | Accountancy | 18,783 | 23,594 | (20.4%)  |
|                            | Umbrella    | 7,558  | 6,593  | 14.6%    |
|                            | Tax         | 1,763  | 2,485  | (29.1%)  |
| Churn                      | Accountancy | 25.7%  | 20.4%  | (5.3%)   |
|                            | Umbrella    | 135.2% | 126.4% | (8.8%)   |
| ARPU (£)                   | Accountancy | 1,362  | 1,445  | (5.7%)   |
|                            | Umbrella    | 1,183  | 1,207  | (2.0%)   |
|                            | Tax         | 355    | 338    | 5.0%     |

ARPU is defined as Average Revenue per Unit, it is calculated by dividing the recurring revenue in the period by the number of active clients.

The changes in IR35 legislation have had a significant impact on the group's operational KPIs. The legislative changes have contributed to increases in Umbrella client numbers and, conversely, they have contributed to increases in accountancy churn and decreases in accountancy client numbers. The COVID-19 pandemic also had a detrimental impact on client numbers with fewer interim opportunities available for the group's clients. The legislative changes have also impacted the accountancy ARPU, with increased client numbers ceasing to trade and moving their Limited Companies into dormant status.

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**STRATEGIC OBJECTIVES AND KEY PERFORMANCE INDICATORS (continued)**

**3. Developing our people**

Our ability to grow our business and deliver a quality service is dependent on the ability and commitment of our people. We are committed to rewarding our staff in line with business objectives and providing them with an interesting, stimulating career in a fun environment.

**Key Initiatives:**

- Attract and retain top quality people with a strong cultural fit.
- Enhance and develop our training and development opportunities.
- Develop and improve employee engagement.

**Progress in 2020:**

- Investment in our sales team to improve the team structure and engaging with the team to develop an improved reward structure.
- Recruitment of a Chief people officer.
- Review of our people proposition and development of our new people hub.
- Launch of new values following on from the group wide engagement sessions.
- Further development of our on-site training and apprenticeship provision.

| Key performance indicators |                | 2020  | 2019  | Variance |
|----------------------------|----------------|-------|-------|----------|
| Average employee numbers   | Operations     | 378   | 430   | (12.1%)  |
|                            | Administrative | 174   | 174   | 0.0%     |
|                            | Contractors    | 7,576 | 6,536 | 15.9%    |
| Attrition                  | Operations     | 37.2% | 35.8% | 1.4%     |
|                            | Administrative | 32.4% | 44.9% | (12.5%)  |

The reduction in operations employee numbers is linked to the decreasing accountancy client base as a result of IR35 legislative changes and the ongoing COVID-19 pandemic. In turn, the IR35 legislative changes have partially driven the increased contractor employee number.

Operations attrition is broadly consistent year on year. The reduced attrition, within administration is linked to increased employee engagement activities and development opportunities.

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**SECTION 172 STATEMENT**

The board promotes the success of the group for the benefit of a broad range of stakeholders that we recognise are material to the long-term future success of our business. We consider the impact on our stakeholders throughout all our discussions and decisions. Like any business, we are sometimes required to take decisions that adversely affect one or more of these groups and, in such cases, we always look to ensure that those impacted are treated fairly. We have detailed below how the board have ensured effective engagement with our key stakeholders during the year.

| Why they are important to our business:                                                                                                                                                                                                                                                                                                                     | How we engage to both consider their interests and needs and update them:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Clients</b></p> <p>Our clients are the central focus of our business. The group's ongoing success is built upon an ability to understand clients' needs and respond with solutions.</p> <p>This allows us to anticipate how these needs will evolve and to provide services and products that meet their goals and build their future prosperity.</p> | <p>We engage with our clients through a variety of channels including:</p> <ul style="list-style-type: none"> <li>• Periodic surveys to understand their needs, current challenges and concerns to ensure we evolve the business and its solutions to meet their needs.</li> <li>• Engagement of a strategy consulting firm who have undertaken surveys of our clients and the wider agile workforce market to highlight how our offering should evolve to meet their needs.</li> <li>• Regular webinars and podcasts to support and engage with our clients on changes affecting our industry.</li> <li>• Publishing a CEO blog in the current year to keep our umbrella base up to date with the latest guidance and policy in relation to the Coronavirus Job Retention Scheme.</li> </ul> |

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**SECTION 172 STATEMENT (continued)**

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| <p><b>People</b></p> <p>Our people are our biggest asset and are central to the ongoing success of the group.</p> <p>Our people strategy aims to develop an agile workforce as we continue to attract, retain, develop and motivate the right people for our current and future business needs.</p>                               | <p>We engage with our people through the following activities:</p> <ul style="list-style-type: none"> <li>• Bi-annual employee opinion survey.</li> <li>• Ensuring every member of staff was involved in the development of our new vision and values with engagement sessions held by the executive and senior management team in every office.</li> <li>• Our visions and values launch sessions – “V festival” (online due to Covid-19) - where the executive team fed back the output from the engagement sessions.</li> <li>• Regular management briefings.</li> <li>• Our monthly internal online magazine (“the Optimist”).</li> <li>• Presentations by the executive team to discuss performance and the firm’s new vision, values and strategic plan.</li> </ul> <p>Additionally, in the current year and the unprecedented times we have all faced, the Board have ensured that the health, wellbeing and safety of our employees is the highest priority. Consequently, we ensured that as many employees as possible who could work from home have done so. Where this was impractical either due to the nature of the role, or our employees circumstances, significant changes to work practices have been implemented to ensure all our employees can work in a safe environment and ensure social distancing was adhered to at all times.</p> |
| <p><b>Shareholders and banking partners</b></p> <p>We rely on the support and engagement of our shareholders and banking partners to deliver our strategic objectives and grow the business.</p> <p>Our shareholders are supportive of the long-term strategic approach and vision we take in the management of our business.</p> | <p>We engage with our shareholders through the following activities:</p> <ul style="list-style-type: none"> <li>• To provide full visibility, two representatives of our majority shareholder meet monthly with the executive and non-executive directors and the executive management team.</li> <li>• On an at least monthly basis, meetings are held independently between our majority shareholder’s representatives and our Chairman and CEO respectively.</li> <li>• Executive remuneration is agreed by the remuneration committee. To ensure the remuneration is aligned with shareholders needs and expectations the proposed remuneration for each director and member of the executive management team is discussed with our majority shareholder prior to finalisation and approval.</li> <li>• Regular meetings (at least monthly) are also held between our banking partners and the executive management team to ensure they are fully aware of the business performance, position and emerging trends.</li> </ul>                                                                                                                                                                                                                                                                                                                             |

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**SECTION 172 STATEMENT (continued)**

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Partners and regulators</b></p> <p>We recognise the importance of our various partners in delivering services to clients and ensure we have shared values.</p> <p>We seek to build positive relationships with our regulators. Regulators provide key oversight of how we run our business.</p>                     | <p>We engage with our partners and regulators through the following activities:</p> <ul style="list-style-type: none"> <li>• We ensure our payment terms with all suppliers are fair and in compliance with payment practices.</li> <li>• We maintain ongoing relations with our key suppliers and partners during the year in general and ensure we proactively engage on specific challenges or changes (internally or externally driven) quickly.</li> <li>• We continue our work in the area of preventing modern slavery. Our latest Modern Slavery Statement can be found on our website.</li> <li>• We hold regular meetings with all our regulators (HMRC and other Government agencies) during the year and have a proactive and transparent relationship with them.</li> </ul> |
| <p><b>Society and communities</b></p> <p>We recognise the responsibility we have to wider society and other key stakeholders. As a significant employer for several areas where we are based, the local communities are keen to ensure we are supporting and investing in local jobs, operating safely and ethically.</p> | <p>We engage with society and the communities in which we operate through the following activities:</p> <ul style="list-style-type: none"> <li>• We offer a wide-ranging apprenticeship scheme and were named as a top 10 apprenticeship provider by the government alongside among others HMRC, BT and the armed forces.</li> <li>• On an annual basis we select a charity to support. We have raised £5k for our chosen charities in the past year.</li> <li>• We made contributions of £11k to the NHS charity during the year.</li> </ul>                                                                                                                                                                                                                                            |

The table below shows the key events and decisions made by the Board during the year, the stakeholders they impacted and the associated actions taken by the directors to engage with the relevant stakeholders. Events are considered to be key if they are either material to the business or have a significant impact on one or more category of stakeholder.

| Key event and stakeholders affected                                            | Actions and impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Bank loan amendments</b></p> <p>Affecting - Lenders and shareholders</p> | <ul style="list-style-type: none"> <li>• A proposal was made to the lenders to revise the bank covenant tests and these were agreed and signed in November 2019. We have met all covenant tests during the year.</li> <li>• In the March 2020 agreement, a proposal was made to defer an amortisation payment until October 2020 given the uncertainty arising from the lockdown announced by the government. This was agreed and the deferred payment, and a further one that was due at the same time was made in full in October 2020.</li> </ul> |

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**SECTION 172 STATEMENT (continued)**

|                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Restructuring and furlough</b></p> <p>Affecting – Employees</p> | <ul style="list-style-type: none"><li>• The Executive and senior management of the teams affected worked in consultation with HR to agree the size, scope and approach of the proposed restructuring.</li><li>• The restructuring included the closure of a small number of offices.</li><li>• Legal advice was taken where needed to ensure all laws and regulations set by HMRC were met and that we had documented the advice appropriately.</li><li>• Affected employees were given notice of redundancy and given the opportunity to raise any questions regarding the process.</li><li>• Affected employees were informed and agreed to be furloughed and were given opportunity to raise any questions regarding the process.</li><li>• We communicate to all employees on a weekly basis regarding the furlough of employees and the restructuring process.</li></ul> |
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## OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES

The purpose of risk management is to identify, assess and to mitigate and manage those risks that are inherent in the group's business activities, in line with the board's strategic objectives and risk appetite. Effective risk management is therefore key to success in delivering our strategic objectives.

#### Risk management framework

The board has adopted a new risk management framework during the period which sets out how the group manages its principal risks.

1. **Identify risk** – The board has overall responsibility for monitoring the group's systems of internal control, for identification of risk and for taking appropriate action to prevent, mitigate and manage those risks.
2. **Assessing risk** – A detailed schedule of risks is presented to the board at each relevant board meeting. The board considers the risks presented and whether they are within the group's risk appetite.
3. **Mitigating risk** – The board seeks to ensure that the group's activities do not expose it to significant risk. Where a risk falls outside the group's risk appetite the group looks to undertake actions to reduce and mitigate risks.
4. **Updating the risk register** – The risk register is reviewed at each Audit Committee meeting. The board meets at least 10 times per year and formally discusses, documents and updates the principal risks of the group at least once per year.
5. **Reviewing and evaluating risks** – The board and the senior management team are responsible for reviewing and evaluating risk on an on-going basis. The senior management team will include updates to the risk register as a standing agenda item at its monthly meeting and formally review the risk register to re-evaluate and document new and existing risks twice a year.

We have used ratings of very high, high, medium and low in our risk assessment. We have classified as very high risk items which have the potential to impact the delivery of strategic objectives and very significantly affect shareholder value, reputation or customer service delivery, with high, medium and low rated items having proportionately less impact on the group. Likelihood is similarly based on a qualitative assessment.

#### Principal risks

| FINANCIAL RISKS  |                                                                                                                                                                                                                                                                                                                |        |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk             | Definition                                                                                                                                                                                                                                                                                                     | Impact | Likelihood | Mitigating controls and actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Liquidity</b> | The risk that the group will be unable to secure finance on acceptable terms or be able to meet its existing banking covenants may result in significant restrictions on the ability of the group to continue trading or its ability to fund future acquisitions that are part of the group's strategic plans. | VH     | M          | <ul style="list-style-type: none"> <li>• Regular reforecasts are undertaken during the year and projected covenant headroom is monitored by the board.</li> <li>• Three-year forecasts are produced and reviewed by the board.</li> <li>• The group monitors interest rate forecasts and exposures on a monthly basis.</li> <li>• Weekly meetings are held with our banking partners to keep them up to date with the progress of the business and the evolving impact of Covid-19 restrictions.</li> </ul> |

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

|                                                    |                                                                                                                                                                                                         |               |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Interest Rate</b>                               | The risk that interest rate fluctuations will result in a reduction in the groups' cashflow and profitability.                                                                                          | M             | L                 | <ul style="list-style-type: none"> <li>The group monitors interest rate forecasts and exposures on a monthly basis.</li> <li>The group undertakes hedging to mitigate interest rate risk if and when it is required.</li> </ul>                                                                                                                                                                                                                                   |
| <b>Covid-19 Pandemic and impact on the economy</b> | The risk that the economy will worsen and lead to decreases in job vacancies, and consequently, decreases in cashflows.                                                                                 | H             | M                 | <ul style="list-style-type: none"> <li>Monitoring of client numbers and KPIs to track financial performance.</li> <li>An analysis of clients and industries has been performed to demonstrate resilience.</li> <li>Rolling forecasts to take preventative actions to mitigate any cash inflow reductions.</li> </ul>                                                                                                                                              |
| <b>STRATEGIC RISKS</b>                             |                                                                                                                                                                                                         |               |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Risk</b>                                        | <b>Definition</b>                                                                                                                                                                                       | <b>Impact</b> | <b>Likelihood</b> | <b>Mitigating controls and actions</b>                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Competition</b>                                 | The risk of a loss of market share arising from a failure to deliver a quality service, maintain or develop existing or new relationships.                                                              | M             | L                 | <ul style="list-style-type: none"> <li>Regular engagement with existing and potential agencies to ensure we have a diversified client base.</li> <li>Regular engagement with our clients to obtain feedback on our service.</li> <li>Regular monitoring and reporting of client satisfaction and reasons for client leavers.</li> <li>Investment in staff training, development and retention to ensure we continue to deliver a high quality service.</li> </ul> |
| <b>Economic and market conditions</b>              | The risk that a deterioration in economic or market conditions results in increased competition or a reduction in demand for our client's services and, indirectly, our services.                       | M             | H                 | <ul style="list-style-type: none"> <li>Regular engagement with existing and potential agencies to ensure we have a diversified client base.</li> <li>Review of packages to identify opportunities to broaden our service offering to meet our clients evolving needs.</li> <li>Investment in training to ensure we continue to deliver a high quality, efficient service.</li> </ul>                                                                              |
| <b>Regulatory and legal changes</b>                | The risk that changes to the regulatory and legal environment the group operates in, increases in the group's compliance costs or reduction in the continued viability of the group's service offering. | M             | M                 | <ul style="list-style-type: none"> <li>Regulatory and legal changes are monitored on a legislation tracker to ensure changes are adequately planned for in advance.</li> <li>Policies and procedures are updated where necessary to ensure compliance.</li> <li>Training delivered to all staff on changes to any service delivery compliance requirements.</li> </ul>                                                                                            |

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

| <b>OPERATIONAL RISKS</b>                  |                                                                                                                                                                                                                                      |               |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk</b>                               | <b>Definition</b>                                                                                                                                                                                                                    | <b>Impact</b> | <b>Likelihood</b> | <b>Mitigating controls and actions</b>                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>IT architecture and cyber security</b> | The risk that an IT infrastructure failure or cyber-security breach materially impacts the operational capability of the group.                                                                                                      | VH            | M                 | <ul style="list-style-type: none"> <li>IT infrastructure update program currently being delivered.</li> <li>System access controls in place.</li> <li>Physical security in all locations.</li> </ul>                                                                                                                                                                                                                                       |
| <b>Data security</b>                      | The potential financial, client, operational, and reputational risks arising from a data protection breach or failure to remain compliant with GDPR.                                                                                 | M             | L                 | <ul style="list-style-type: none"> <li>Documented policies, procedures and systems in place.</li> <li>Training delivered to all staff on data security and the requirements under GDPR.</li> <li>System access controls in place.</li> <li>Regular monitoring of any breaches recorded.</li> </ul>                                                                                                                                         |
| <b>Compliance</b>                         | The risk that the group's compliance procedures are not adhered to results in a failure to meet our contractual arrangements or increased levels of employee errors that lead to losses arising from additional claims from clients. | M             | M                 | <ul style="list-style-type: none"> <li>Documented policies and procedures in place.</li> <li>Review and monitoring controls in place to ensure requirements are adhered to.</li> <li>Training delivered to all staff on service delivery compliance requirements.</li> <li>Suitability and effectiveness of policies, procedures and controls is reviewed regularly.</li> </ul>                                                            |
| <b>People</b>                             | The risk that a failure to recruit and retain key staff and managers on competitive salaries impacts the group's operational effectiveness, service delivery to clients and profitability.                                           | M             | M                 | <ul style="list-style-type: none"> <li>Competitive remuneration and benefits package.</li> <li>Remuneration committee responsible for approving all senior management salary increases.</li> <li>Annual engagement surveys to provide input to the development of HR policies.</li> <li>Exit interviews conducted for all leavers to ascertain reasons for leaving.</li> <li>The provision of regular training and development.</li> </ul> |

## OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)

### FINANCIAL OVERVIEW

#### Overview

##### Group operating results

| £m                       | 2020  | 2019  | Variance |
|--------------------------|-------|-------|----------|
| Net fee income           | 41.9  | 46.7  | (4.8)    |
| Adjusted EBITDA          | 16.4  | 18.2  | (1.8)    |
| (Loss)/Profit before tax | (7.1) | 0.0   | (7.1)    |
| Tax                      | 0.1   | (1.0) | 1.1      |
| Loss after tax           | (7.0) | (1.0) | (6.0)    |

Net fee income for the year decreased by 10.3% to £41.9m (2019: £46.7m) while operating expenses (including both non-exceptional and exceptional) have decreased 1.3% to £31.6m (2019: £32.0m) and when excluding depreciation, amortisation, loss on disposal and exceptional expenses decreased 10.5% to £25.5m (2019: £28.5m).

The decrease in net fee income is primarily driven by lower client numbers due to the challenging market conditions. Whilst churn across the group has largely decreased there has been a reduction in joiners resulting in a lower overall client base.

The decrease in operating costs has been affected by the transition to IFRS 16, the impact of the adoption of the standard is to increase operating profit by £136k and increase adjusted EBITDA by £743k.

Adjusted EBITDA, which excludes interest, tax, depreciation, amortisation, loss on disposal and exceptional expenditure, decreased by 9.9% to £16.4m (2019: £18.2m) while adjusted EBITDA margin, calculated as adjusted EBITDA divided by net fee income, increased to 39.1% (2019: 39.0%).

#### Tax

The overall effective tax rate for the year was 1.9% (2019: 100%). This is calculated as the tax gain in the financial statements of £0.1m (2019: £1.0m), divided by LBT of £7.1m (2019: £0.0m). A full tax reconciliation is set out in note 10.

#### Financial position

##### Intangible assets

Intangible assets arise primarily in relation to business combinations, computer software, brands and the acquisition of customer lists. At 31 October 2020, the total carrying value of intangible assets was £135.8m (2019: £138.2m).

Customer list intangible assets are amortised over their minimum estimated useful life of two to seven years. The total amortisation charge for customer lists was £2.4m (2019: £2.4m).

Brand intangible assets are amortised over their minimum estimated useful life of ten years. The total amortisation charge for brand intangible assets, including the impact of any lost relationships, was £0.2m (2019: £0.2m).

Intangible assets related to the acquisition of software licences and costs associated with the production of software products controlled by the group are amortised over a definite useful life of three years. The total amortisation charge for the year was £0.2m (2019: £0.2m).

Goodwill that has arisen on business combinations is not amortised but is subject to a test for impairment on an annual basis. No goodwill was found to be impaired in the year under review or the preceding year.

## OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)

### FINANCIAL OVERVIEW (continued)

#### Borrowings

The group is financed through a combination of secured bank borrowings of £108m (2019: £120.0m) and loan notes of £49.4m (2019: £49.4m) held at amortised cost using the effective interest method. At 31 October 2020, the total carrying value of borrowings was £161.8m (2019: £169.4m), see note 19.

The bank borrowings are secured via a fixed and floating charge over the assets of the group and are repayable in full in December 2023. The interest rate on the loan is LIBOR, at a minimum of 0.75%, + 7% and settled quarterly.

Additionally, the group has drawn down an RCF of £4.425m during the year (2019: £nil).

The loan notes relate to £34.4m (2019: £34.4m) due to shareholders and £15.0m (2019: £15.0m) due to vendors. All loan notes are repayable in full in September 2022. The interest rate on the loan notes is fixed at 10%. Interest is still being accrued on the loan notes. Interest on £6.6m (2019: £6.6m) of the Loan Notes due to management would cease to become payable if those managers resigned their employment from the group.

#### Cash flow and capital expenditure

| £m                                                                                 | 2020   | 2019   | Variance |
|------------------------------------------------------------------------------------|--------|--------|----------|
| Net cash generated from operating activities pre-working capital movements and tax | 14.3   | 18.2   | (3.9)    |
| Movement in working capital                                                        | 32.1   | 0.1    | 32.0     |
| Tax paid                                                                           | (1.3)  | (0.9)  | (0.4)    |
| Net cash generated from operating activities                                       | 45.1   | 17.4   | 27.7     |
| Net cash used in investing activities                                              | (0.6)  | (0.9)  | 0.3      |
| Net cash used in financing activities                                              | (16.1) | (15.2) | (0.9)    |
| Net movement in cash and cash equivalents                                          | 28.4   | 1.3    | 27.1     |
| Cash and cash equivalents brought forward                                          | 19.0   | 17.7   | 1.3      |
| Cash and cash equivalents carried forward                                          | 47.4   | 19.0   | 28.4     |

The increase in working capital is driven by an increased VAT balance, as a result of the deferral scheme offered by HMRC, in addition to increased volumes of contractor employees in the umbrella segment driving larger tax and social security payables, in addition to increased trade receivables.

Net cash used in financing activities of £16.1m (2019: £15.2m) is in relation to interest paid on the group's borrowings and loan repayments of £12m.

#### Government Support

The group has used some of the financial support schemes set up by the Government in order to assist during the COVID-19 pandemic. The group has received furlough income of £4,165k via the CJRS (Coronavirus Job Retention Scheme) and it has also deferred VAT payments that were due between 20 March 2020 and 20 June 2020. The VAT will be repaid in full by 31 March 2022 at the .

## **OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**

### **FINANCIAL OVERVIEW (continued)**

#### **Going concern**

The group and company regularly review market and financial forecasts and has reviewed its trading prospects in its key markets. As a result, it believes its trading performance will demonstrate improvement in the coming years, and that liquidity will remain strong. Therefore, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future.

The board has reviewed the latest forecasts of the group and considered the obligations of the group's financing arrangements, the group continues to operate well within its existing facilities and there are no concerns at this time in relation to the group's ability to meet its quarterly covenants. Given the continued strong liquidity of the group, the board has concluded that a going concern basis of preparation of its consolidated financial statements is appropriate.

These forecasts have been prepared taking account of the current and potential impacts of the Covid-19 pandemic and the IR35 reforms may have on the recruitment market volatility. As part of this review the directors' considered specific assumptions and risks to achieving forecast outcomes and have considered liquidity as well as the ability to operate within the group's current financing facilities which are subject to covenant tests. The forecasts also took into account the substantial growth being seen during early 2021 in the Umbrella CGU which directly impacts both profitability but also the groups liquidity position favourably. During the current year the group met all covenant tests and based on the forecast will do so throughout the review period through to February 2022.

The group has also undertake reverse stress tests of the forecasts assessing what deviation from budget would be required in both clients numbers and Umbrella working capital at each test date for the group to breach its covenants tests. Based on the current performance and trends in the business it would require a significant deviation for there to be a breach.

#### **Effect of changes in accounting standards**

IFRS 16 became effective for the year ended 31 October 2020, the impact of adopting this standard is an increase in operating profit for the year of £136k and an increase in adjusted EBITDA of £743k.

## **OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**

### **PEOPLE**

At Optionis, we are dedicated to attracting and nurturing the best talent, from those first steps right through to long-term career goals. We take great pride in the continued development and training opportunities we offer, and we firmly believe that our greatest strength is in our people. We offer training from the ground up – whether you're fresh out of school or you're a senior manager, we've got something to teach you.

To deliver this we have an annual training budget of £1.5m, a dedicated Learning and Development team, an on-site training provider and an in-house training facility. As well as our ACCA platinum trainee development and AAT accountancy qualifications, we also offer over 17 other courses, such as an Institute of Leadership Management (ILM) course, to help our employees progress into managerial roles. Other courses include Project Management and Digital Marketing – you can even sign up for Spanish lessons.

#### **Graduates and apprentices**

Optionis believes in providing opportunities to people at all points in the education spectrum and that graduates and apprentices are our future leaders, and we are proud to invest in and nurture talent.

#### **Diversity and inclusion**

Diversity and inclusion are important focus areas for Optionis. As an equal opportunities employer, we ensure that all job applicants and employees are treated fairly and on merit regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation. We believe that having a diverse and inclusive workforce leads to more innovation and opportunities, access to a wider talent pool and, ultimately, enables us to deliver excellent client service and stronger business performance.

We published our 2019 Gender Pay report as required under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 which is available on our website ([www.optionis.co.uk](http://www.optionis.co.uk)). Our report highlights that we employ very slightly more men (52%) than women (48%) and there is a small difference of 3% between the mean (average) pay for men and women.

However, it is important to note that this figure is not based on individual roles; a man and woman performing the same role at Optionis are paid equally. All new starters are recruited under the same salary structure for their role and their earnings ability depends on their performance and career progression. All employees are afforded the same opportunities, and internal roles are offered as a result of fair and consistent recruitment processes. The median (middle value) of women's pay is 6% higher than that of men.

This can be explained by the fact that men's earnings across the business are very varied, for example men make up 52% of our highest earning bracket (upper quartile) and 64% of our lowest earning bracket (lower quartile). However, the vast majority of women fall into our middle earning brackets, making up 55% of our upper middle quartile and 52% of our lower middle quartile. Bonuses are awarded according to job roles and performance targets being met. Targets are set fairly across the group to ensure equal earnings opportunity. The same proportion of men and women (45%) earned a bonus in this period.

#### **Human rights and modern slavery**

We recognise that modern slavery is a crime and a violation of fundamental human rights. We have a zero-tolerance approach to modern slavery, and we are absolutely committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. In accordance with the Modern Slavery Act 2015, the group has published our modern slavery and human trafficking statement on our website: [www.optionis.co.uk](http://www.optionis.co.uk).

**OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**  
**CORPORATE AND SOCIAL RESPONSIBILITY**

Optionis has a strong sense of corporate and social responsibility and aims to give back to the communities in which we work and to our people. To achieve this, we look for ways where we can make a positive influence in the communities where we work and to provide a professional, supportive and fun workplace for our teams, enabling us to deliver the best possible service to our clients.

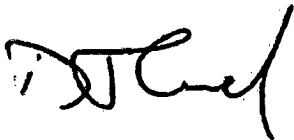
**Community**

At Optionis we look to give back to our communities by undertaking regular fundraising activities to support our chosen corporate charities. This year, our charity, voted for by our staff, is The Samaritans.

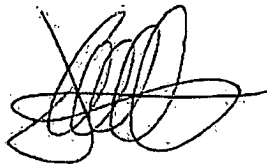
**Tax strategy**

Our tax strategy, which can be found on our website, is focused on ensuring that taxes (and tax risks) are managed to provide outcomes consistent with commercial substance and are within the parameters of the group's strategic objectives. While we are mindful to ensure that the group's tax affairs are carried out in the most tax efficient manner, we do not enter into artificial arrangements in order to avoid taxation nor do we utilise companies incorporated in "tax havens" as a means of reducing the group's tax liabilities. We have an open, collaborative and professional working relationship with HMRC.

The strategic report for the year ended 31 October 2020 was approved by the board on 26 February 2021 and signed on its behalf by:



**Doug Crawford**  
Chief executive officer



**William J Catterick**  
Chief financial officer

## **OPTIONIS LIMITED – DIRECTORS REPORT FOR THE YEAR ENDED 31 OCTOBER 2020**

The directors present their annual report on the affairs of the group, together with the audited financial statements for the year ended 31 October 2020.

### **Registered company number**

The company's registered number is 09199221.

### **Directors**

The directors who served during the year and up to the date of signing the financial statements were:

W J Catterick

D Crawford

J S Newman

I Ahmed (Resigned 30 September 2020)

K Budge (Resigned 03 January 2020)

### **Business review and future developments**

Refer to our Strategic Report for further details of the group's business review and future developments.

### **Financial risk management**

The group has an active and robust corporate governance programme designed to manage strategic and tactical risks which could impact the business. Refer to page 12, for details of the group's risk management framework.

### **Dividends and results**

The directors do not recommend the payment of a dividend (2019: £nil). Loss after taxation was £7.0m (2019: £1.0m) for the year.

### **Political donations**

No political donations were made during the year (2019: £nil).

### **Directors liabilities**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties subject to conditions set up in Section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' report.

### **Employee engagement**

The group engages with Employees via frequent whole business updates from the director and senior management teams. There is a monthly group Wide newsletter which communicates both company and industry changes to all employees. During the year, communication has largely been via virtual meetings and presentations, due to the majority of Group employees working from home, in addition to emails and newsletters.

Engagement workshops were held at the end of 2019, each employee had an opportunity to attend and share the views on the business, its objective and its strategies. The feedback from these sessions was used to shape the updated groups Vision and values that have been launched during the financial year.

Each employee receives a half-yearly appraisal to evaluate their performance against the group values, this appraisal is linked to changes in reward and remuneration. In addition, there is VIP reward scheme that gives awards to those that have delivered exceptional service. This is further discussed in the Section 172 statement, page 9.

## OPTIONIS LIMITED – DIRECTORS REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)

### Streamlined energy and carbon reporting

The energy consumed by the group is in the form of fuel, electricity and gas consumed in our offices and for transport purposes.

|                                                                         |                           |
|-------------------------------------------------------------------------|---------------------------|
| <b>Greenhouse gas emissions</b>                                         | <b>2020</b>               |
|                                                                         | <b>kg CO<sub>2</sub>e</b> |
| <b>Scope 1 Direct emissions</b>                                         |                           |
| Transport: Group employee Journeys travelled for business purposes      | 19,327                    |
| Transport: Umbrella contractor Journeys travelled for business purposes | 755,242                   |
| <b>Scope 2 Indirect emissions</b>                                       |                           |
| Grid electricity purchased for use in offices                           | 130,574                   |
| <b>Total Carbon emissions</b>                                           | <b>905,143</b>            |
| <b>Carbon emissions per £1m Revenue</b>                                 | <b>2,076</b>              |

To minimise our carbon emissions, employees are encouraged to communicate via technology wherever possible and to power off all non-essential electrical items outside of office hours. The nature of the services provided means that some face-to-face meetings are required. The opportunity for the group to reduce emissions output by the umbrella contractors is extremely minimal, these are out of the control of the group.

The nature of the services provided, largely office based services, means that the group has minimal impact on the environment with low greenhouse gas emissions.

### Going concern

The directors' assessment of going concern is set out on page 17, within the strategic report. The strategic report also details the group's business activities, together with the factors likely to affect its future development and performance. Overall, the group has adequate financial resources and a large, diversified client base. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

### Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006 and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

## **OPTIONIS LIMITED – DIRECTORS REPORT FOR THE YEAR ENDED 31 OCTOBER 2020 (continued)**

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### **Directors' confirmations**

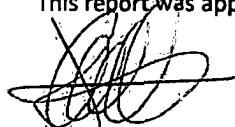
In the case of each director in office at the date the Directors' Report is approved:

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

### **Independent auditor**

BDO LLP have indicated their willingness to continue in office. A resolution that they be reappointed will be proposed at the annual general meeting.

This report was approved by the board on 26 February 2021 and signed on its behalf.



William J Catterick

Chief financial officer

## **OPTIONIS LIMITED – CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 OCTOBER 2020**

The board recognises the importance of good corporate governance in facilitating effective, entrepreneurial and prudent management that can support the long-term success of the group and delivery of all of its stakeholders objectives. The group is not quoted and therefore is not required to comply with the UK Corporate Governance Code (the Code). However, this year for the first time the group is required to regard to the Wates Principles (the Principles), which were originally published in 2018. Prior to this requirement the board had already developed, and continues to keep under review, its own governance arrangements. In practice this has meant adopting and reflecting elements of the Code where we consider they are appropriate for a group of our size and complexity and now having regard to the corporate governance arrangements set out in the Principles.

### **Purpose and strategic leadership**

The role of the board is to establish the purpose, vision and strategy for the group, to deliver shareholder value and be responsible for the long-term success of the group. Individual members of the board have equal responsibility for the overall stewardship, management and performance of the group and for the approval of its long-term objectives and strategic plans. The board comprises a non-executive chairman and two executive directors. The directors are supported by the executive management team which is comprised of a further 5 senior executive leaders. All members of the executive management team submit reports directly to the board on a monthly basis while 4 of them also attend the monthly board meetings to present on their business area directly.

The members of the board and executive team maintain the appropriate balance of experience, independence and knowledge of the group to enable them to discharge their respective duties and responsibilities and to ensure that the requirements of the business can be met. The board, with the support of the executive management team, acknowledges its collective responsibility for ensuring the long-term success of the group by demonstrating strong leadership, setting strategy and business models, managing performance and ensuring the necessary resources are in place to deliver. It also holds itself accountable for looking after the needs of all its stakeholders, including employees, shareholders and the broader community and environment.

I am fully supportive of the strategic direction being taken by the executive management team. The Strategic Report is on pages 5 to 19 in the Financial Statements.

### **Composition of the board and executive management team**

A strong feature of the board's effectiveness in delivering the strategy is our inclusive and open style of management and a free flow of information between the executive directors and non-executive chairman, the executive management team and our majority investors who have two representatives in attendance at all board meetings. The conduct of these meetings encourage individuals to discuss matters openly and freely and to make a personal contribution through the exercise of their personal skills and experience. Consequently, no individual or group of individuals dominate the board's decision making process.

Vacancies on the board and executive management team are filled following a rigorous evaluation of candidates who possess the required balance of skills, knowledge and experience, using recruitment consultants where appropriate. All decisions to recruit at the board or executive management team level are recommended by the Chief executive officer to the Chairman for approval. Once approved the process for the appointment of directors is managed by the group's Chief people officer.

The group recognises the importance of diversity at board and executive management level and that the group comprises individuals with a wide range of skills and experience from a variety of business backgrounds.

### **Board responsibilities**

#### **Division of responsibilities**

There is a clear division of responsibilities between the role of the Chairman and that of the Chief executive officer of the group. The primary responsibility of the Chairman is to lead and manage the board and that of the Chief executive is to manage the business of the group.

## **OPTIONIS LIMITED – CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 OCTOBER 2020**

### **The Chairman**

The Chairman is responsible for leading the board, setting its agenda and ensuring its effectiveness in all aspects of its role. He works closely with the Chief Executive on developing group strategy and provides general advice and support without directly being involved in day-to-day management of delivery. He also promotes effective and constructive dialogue and challenge between the Executive Directors, Executive Management team and the group's majority shareholders.

### **The Chief executive officer**

The Chief executive officers principal responsibility is to manage the group's business and to lead the executive management team. He is responsible for ensuring the executive management team deliver on the agreed strategic objectives set by the board and maintaining strong relationships with the Chairman, the board and key shareholders and stakeholders.

### **Board committees**

The board has delegated specific authority to the Audit Committee and the Remuneration Committee and I chair both committees.

The Audit Committee has the primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the group is properly measured and reported on and reviewing reports from the group's auditors. The Audit Committee meets at least twice a year.

The Remuneration Committee reviews the performance of the Executive Directors and Executive Management team and determines their terms and conditions of service, including their remuneration and the award of any equity-based remuneration. In practice the Remuneration Committee engages with the group's majority shareholder prior to finalising recommendations of both the executive directors' and executive management team's remuneration. This open and proactive approach ensures that there is a clear alignment between the remuneration of directors and executive management and our delivery of our strategy. The Committee also agrees all board and executive management team vacancies and approves the recommended candidates to fill such vacancies as and when they arise. The Remuneration Committee will meet at least annually and additionally as required.

### **Risk Management**

The group's corporate objective is to maximise long-term shareholder value. In doing so, the directors recognise that creating value is a reward for taking and accepting risk. The Directors consider risk management to be crucial to the group's success and give a high priority to ensuring that adequate systems are in place to evaluate and limit risk exposure.

### **Internal control and financial reporting**

The board are responsible for the group's system of internal control and for reviewing its effectiveness across its operations. The group's system of internal financial control includes restrictions on payment authorisations and execution and, where appropriate and possible, duties are segregated. The annual budgeting, forecasting and monthly management reporting system, which applies throughout the group, enables trends to be evaluated and variances to be acted upon. The group board and Executive Management team receives monthly financial information on results and other performance data and reviews financial and performance data at each of its monthly meetings.

Any system of internal control, however, is designed to manage, rather than eliminate the risk of failure to achieve business objectives and client outcomes. In establishing and reviewing the system of internal controls the Directors consider the nature and extent of relevant risks, the likelihood of a loss being incurred and costs of control.

## **OPTIONIS LIMITED – CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 OCTOBER 2020**

### **Going concern**

The group's business activities, together with the factors likely to affect its future development and performance, are set out in the strategic review. In addition, the strategic review refers to the group's capital position and cash flows.

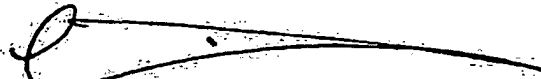
In carrying out their duties in respect of going concern, the directors carry out a review of the group's financial position and cash flow forecasts for the foreseeable future. These are based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

The directors have reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

### **Stakeholder relationships and engagement**

The board is keen to ensure ongoing and effective communication with all stakeholders. Further reading on stakeholder engagement can be found in our Section 172 statement on pages 8 to 11.

The corporate governance report for the year ended 31 October 2020 was approved by the board on 26 February 2021 and signed on its behalf by:



**Jeremy Newman**

**Chairman**

# **OPTIONIS LIMITED – INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF OPTIONIS LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

We have audited the financial statements of Optionis Limited (“the Parent Company”) and its subsidiaries (“the Group”) for the year ended 31 October 2020 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated and Company Statement of Changes in Equity and Consolidated Statement of Cashflows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### **In our opinion:**

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 October 2020 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

- the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company’s ability to continue to adopt the going concern; and
- basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

## **OPTIONIS LIMITED – INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OPTIONIS LIMITED (continued)**

### **Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **OPTIONIS LIMITED – INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OPTIONIS LIMITED (continued)**

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gary Harding (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester, UK  
26 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**OPTIONIS LIMITED – CONSOLIDATED INCOME STATEMENT**  
FOR THE YEAR ENDED 31 OCTOBER 2020

|                                                                                  | <b>Note</b> | <b>2020</b>      | <b>2019</b>  |
|----------------------------------------------------------------------------------|-------------|------------------|--------------|
|                                                                                  |             | <b>£'000</b>     | <b>£'000</b> |
| Revenue                                                                          | 5           | <b>435,861</b>   | 326,749      |
| Cost of employee contractors                                                     | 7           | <b>(393,945)</b> | (280,042)    |
| <b>Revenue less costs of employee contractors</b>                                |             | <b>41,916</b>    | 46,707       |
| Operational employee costs                                                       | 7           | <b>(17,094)</b>  | (17,882)     |
| Depreciation, amortisation and loss on disposal of property, plant and equipment | 6           | <b>(3,972)</b>   | (3,328)      |
| Other operating costs - exceptional                                              | 6           | <b>(2,070)</b>   | (156)        |
| Other operating costs - non-exceptional                                          | 6           | <b>(8,418)</b>   | (10,621)     |
| <b>Operating profit</b>                                                          |             | <b>10,362</b>    | 14,720       |
| Finance costs                                                                    | 8           | <b>(17,518)</b>  | (14,816)     |
| Finance income                                                                   | 9           | <b>33</b>        | 88           |
| <b>Net finance cost</b>                                                          |             | <b>(17,485)</b>  | (14,728)     |
| <b>Loss before taxation</b>                                                      |             | <b>(7,123)</b>   | (8)          |
| Income tax credit/(expense)                                                      | 10          | <b>136</b>       | (967)        |
| <b>Loss for the financial year</b>                                               |             | <b>(6,987)</b>   | (975)        |

The group's activities are all derived from continuing operations.

The group has no other comprehensive income/expense. Total comprehensive expense for the year is equal to the loss for the financial year.

The accompanying notes on pages 34 to 65 form part of the financial statements.

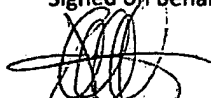
# OPTIONIS LIMITED – CONSOLIDATED BALANCE SHEET

AS AT 31 OCTOBER 2020

|                                              | Note | 2020<br>£'000   | 2019<br>£'000   |
|----------------------------------------------|------|-----------------|-----------------|
| <b>Assets</b>                                |      |                 |                 |
| <b>Non-current assets</b>                    |      |                 |                 |
| Intangible assets                            | 11   | 135,794         | 138,226         |
| Property, plant and equipment                | 12   | 3,293           | 1,105           |
| Deferred tax assets                          | 20   | 74              | 131             |
|                                              |      | <b>139,161</b>  | <b>139,462</b>  |
| <b>Current assets</b>                        |      |                 |                 |
| Trade and other receivables                  | 14   | 35,684          | 19,404          |
| Cash and cash equivalents                    | 15   | 47,450          | 19,023          |
|                                              |      | <b>83,134</b>   | <b>38,427</b>   |
| <b>Total Assets</b>                          |      | <b>222,295</b>  | <b>177,889</b>  |
| <b>Liabilities</b>                           |      |                 |                 |
| <b>Current liabilities</b>                   |      |                 |                 |
| Trade and other payables                     | 16   | 101,558         | 43,991          |
| Current tax liabilities                      | 16   | -               | 763             |
| Borrowings                                   | 19   | 4,425           | -               |
| Provisions for other liabilities and charges | 18   | 929             | 1,012           |
| Lease liabilities                            | 17   | 610             | -               |
|                                              |      | <b>107,522</b>  | <b>45,766</b>   |
| <b>Total assets less current liabilities</b> |      | <b>114,773</b>  | <b>132,123</b>  |
| <b>Non-current liabilities</b>               |      |                 |                 |
| Trade and other payables                     | 16   | -               | 298             |
| Provisions for other liabilities and charges | 18   | 675             | 632             |
| Borrowings                                   | 19   | 157,392         | 169,392         |
| Deferred tax liabilities                     | 20   | 1,276           | 1,596           |
| Lease liabilities                            | 17   | 2,212           | -               |
|                                              |      | <b>161,555</b>  | <b>171,918</b>  |
| <b>Total Liabilities</b>                     |      | <b>269,077</b>  | <b>217,684</b>  |
| <b>Equity</b>                                |      |                 |                 |
| Share capital                                | 22   | 72              | 72              |
| Share premium                                |      | 4               | 4               |
| Capital redemption reserve                   |      | 51              | 51              |
| Accumulated losses                           |      | (46,909)        | (39,922)        |
| <b>Total shareholders' deficit</b>           |      | <b>(46,782)</b> | <b>(39,795)</b> |
| <b>Total capital employed</b>                |      | <b>222,295</b>  | <b>177,889</b>  |

The financial statements were approved by the board of directors on 26 February 2021.

Signed on behalf of the board of directors



W J Catterick

Director

Company registration number: 09199221

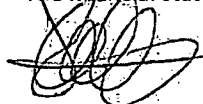
The accompanying notes on pages 34 to 65 form part of the financial statements.

**OPTIONIS LIMITED – COMPANY BALANCE SHEET**  
AS AT 31 OCTOBER 2020

|                              | Note | 2020<br>£'000 | 2019<br>£'000 |
|------------------------------|------|---------------|---------------|
| <b>Fixed assets</b>          |      |               |               |
| Investments                  | 13   | 700           | 700           |
|                              |      | <b>700</b>    | <b>700</b>    |
| <b>Current assets</b>        |      |               |               |
| Trade and other receivables  | 14   | 127           | 127           |
| <b>Net assets</b>            |      | <b>827</b>    | <b>827</b>    |
| <b>Equity</b>                |      |               |               |
| Share capital                | 21   | 72            | 72            |
| Share premium                |      | 4             | 4             |
| Capital redemption reserve   |      | 51            | 51            |
| Capital contribution reserve |      | 700           | 700           |
| <b>Total equity</b>          |      | <b>827</b>    | <b>827</b>    |

The company, Optionis Limited, made neither a profit nor a loss during the year (2019: £nil).

The financial statements were approved by the board of directors on 26 February 2021.



W J Catterick  
Director

Company registration number: 09199221

The accompanying notes on pages 34 to 65 form part of the financial statements.

**OPTIONIS LIMITED – CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY**  
AS AT 31 OCTOBER 2020

**Consolidated statement of changes in equity**

|                                         | Share<br>capital | Share<br>premium | Capital<br>redemption<br>reserve | Accumulated<br>losses | Total equity<br>attributable<br>to owners |
|-----------------------------------------|------------------|------------------|----------------------------------|-----------------------|-------------------------------------------|
|                                         | £'000            | £'000            | £'000                            | £'000                 | £'000                                     |
| Balance at 1 November 2018              | 72               | 4                | 51                               | (38,947)              | (38,820)                                  |
| Loss and total comprehensive<br>expense | -                | -                | -                                | (975)                 | (975)                                     |
| Balance at 31 October 2019              | 72               | 4                | 51                               | (39,922)              | (39,795)                                  |
| Loss and total comprehensive<br>expense | -                | -                | -                                | (6,987)               | (6,987)                                   |
| Balance at 31 October 2020              | 72               | 4                | 51                               | (46,909)              | (46,782)                                  |

**Company statement of changes in equity**

|                            | Share<br>capital | Share<br>premium | Capital<br>redemption<br>reserve | Retained<br>earnings | Total equity<br>attributable<br>to owners |
|----------------------------|------------------|------------------|----------------------------------|----------------------|-------------------------------------------|
|                            | £'000            | £'000            | £'000                            | £'000                | £'000                                     |
| Balance at 1 November 2018 | 72               | 4                | 51                               | 700                  | 827                                       |
| Balance at 31 October 2019 | 72               | 4                | 51                               | 700                  | 827                                       |
| Balance at 31 October 2020 | 72               | 4                | 51                               | 700                  | 827                                       |

Amounts recognised in the 'Capital redemption reserve' relate to amounts in respect of the redemption of certain of the Company's ordinary shares and a repurchase of share capital in previous periods.

The accompanying notes on pages 34 to 65 form part of the financial statements.

# OPTIONIS LIMITED – CONSOLIDATED STATEMENT OF CASHFLOWS

AS AT 31 OCTOBER 2020

|                                                     |    | 2020            | 2019            |
|-----------------------------------------------------|----|-----------------|-----------------|
|                                                     |    | £'000           | £'000           |
| <b>Cash flows from operating activities</b>         |    |                 |                 |
| Loss for the year                                   |    | (6,987)         | (975)           |
| Adjustments for:                                    |    |                 |                 |
| Depreciation of property, plant and equipment       | 6  | 1,008           | 476             |
| Amortisation of intangible assets                   | 6  | 2,678           | 2,801           |
| Impairment of fixed assets                          | 6  | 238             | -               |
| Finance income                                      | 9  | (33)            | (88)            |
| Finance costs                                       | 8  | 17,518          | 14,816          |
| Loss on disposal of property, plant and equipment   | 6  | 49              | 51              |
| Other operating costs – exceptional                 | 6  | -               | 156             |
| Taxation                                            | 10 | (136)           | 967             |
| (Increase) in debtors                               |    | (15,860)        | (34)            |
| Increase in creditors                               |    | 47,926          | 86              |
| <b>Cash generated from operations</b>               |    | <b>46,401</b>   | <b>18,256</b>   |
| Tax paid                                            |    | (1,310)         | (856)           |
| <b>Net cash generated from operating activities</b> |    | <b>45,091</b>   | <b>17,400</b>   |
| <b>Cash flows from investing activities</b>         |    |                 |                 |
| Purchase of property, plant and equipment           | 12 | (390)           | (297)           |
| Purchase of intangible assets                       | 11 | (246)           | (498)           |
| Management restructure                              | 6  | -               | (156)           |
| Interest received                                   | 9  | 33              | 88              |
| <b>Net cash outflow from investing activities</b>   |    | <b>(603)</b>    | <b>(863)</b>    |
| <b>Cash flows from financing activities</b>         |    |                 |                 |
| Proceeds from borrowings                            |    | 4,425           | -               |
| Repayment of borrowings                             |    | (12,000)        | -               |
| Repayment of lease liabilities                      |    | (855)           | -               |
| Interest paid                                       |    | (7,631)         | (15,242)        |
| <b>Net cash outflow from financing activities</b>   |    | <b>(16,061)</b> | <b>(15,242)</b> |
| <b>Net increase in cash and cash equivalents</b>    |    | <b>28,427</b>   | <b>1,295</b>    |
| Cash and cash equivalents at beginning of the year  |    | 19,023          | 17,728          |
| <b>Cash and cash equivalents at end of year</b>     |    | <b>47,450</b>   | <b>19,023</b>   |
| <b>Comprised of:</b>                                |    |                 |                 |
| Cash at bank and in hand                            |    | 47,450          | 19,023          |
| <b>Cash and cash equivalents at end of year</b>     |    | <b>47,450</b>   | <b>19,023</b>   |

The accompanying notes on pages 34 to 65 form part of the financial statements.

## **OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

#### **Group**

The 'group', headed by Optionis Limited, is a provider of contractors to customers and is a specialist provider of fixed fee, limited company accountancy and tax services primarily to contractors and freelancers. 'The group' operates in the UK under the trading brands of Parasol, SJD Accountancy, Nixon Williams, Clearsky Contractor Accounting, Brian Alfred Associates, Arnscot, First Freelance and First Umbrella. The objective of the 'group' is to continue its growth by being the pre-eminent national provider of contractors to customers and of accountancy and tax services to contractors.

A list of subsidiaries and their countries of incorporation is presented in note 13.

#### **Company**

Optionis Limited (the 'Company') (formerly Optionis Holdco Limited) is a Company incorporated and domiciled in England, and the address of the registered office is KD Tower, Cotterells, Hemel Hempstead, Hertfordshire, HP1 1FW. The Company and its subsidiaries together form the 'group'.

The principal activity of the company during the year was to act as a holding company for the 'group'. The 'group' is a provider of accountancy, tax and payroll services primarily to contractors and freelancers.

The Company does not have a parent undertaking and, in the opinion of the directors, there is no ultimate controlling party of the group or company.

### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value as set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's result for the financial year was £nil (2019: £nil).

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Optionis Limited (the "Company") and its subsidiary undertakings. Subsidiaries are entities over which the group has control.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Subsidiaries are consolidated from the date on which the group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Details of all the subsidiaries of the group are given in note 13.

## **OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **Going concern**

The group and company regularly review market and financial forecasts and has reviewed its trading prospects in its key markets. As a result, it believes its trading performance will demonstrate improvement in the coming years, and that liquidity will remain strong. Therefore, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future.

The board has reviewed the latest forecasts of the group and considered the obligations of the group's financing arrangements, the group continues to operate well within its existing facilities and there are no concerns at this time in relation to the group's ability to meet its quarterly covenants. Given the continued strong liquidity of the group, the board has concluded that a going concern basis of preparation of its consolidated financial statements is appropriate.

These forecasts have been prepared taking account of the current and potential impacts of the Covid-19 pandemic and the IR35 reforms may have on the recruitment market volatility. As part of this review the directors' considered specific assumptions and risks to achieving forecast outcomes and have considered liquidity as well as the ability to operate within the group's current financing facilities which are subject to covenant tests. The forecasts also took into account the substantial growth being seen during early 2021 in the Umbrella CGU which directly impacts both profitability but also the groups liquidity position favourably. During the current year the group met all covenant tests and based on the forecast will do so throughout the review period through to February 2022.

The group has also undertaken reverse stress tests of the forecasts assessing what deviation from budget would be required in both clients numbers and Umbrella working capital at each test date for the group to breach its covenants tests. Based on the current performance and trends in the business it would require a significant deviation for there to be a breach.

#### **New standards, amendments and interpretations for the Optionis Limited group**

The group applied the IFRS 16 Leases standard following its mandatory adoption for the first time in the annual reporting period commencing 01 November 2019.

The adoption of this standard has materially impacted the group Consolidated Financial Statements.

Note 23 provides further details.

#### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 October 2020 and have not been early adopted by the group:

- amendments to IAS 1 Presentation of financial statements, and IAS 8 Accounting policies, changes in accounting estimates and errors' definition of material; and
- amendments to the conceptual framework.

There are no other IFRSs, Annual improvements or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

#### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers (CODM), who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Financial Officer of the group. The CODM reviews the key profit measure, 'EBITDA pre-exceptional costs'.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### Property, plant and equipment

Management choose the cost basis under IAS 16 'Property, plant and equipment', rather than to apply the alternative (revaluation) treatment to all items of property, plant and equipment as its ongoing accounting policy. The cost of property, plant and equipment includes directly attributable costs.

Property, Plant and Equipment is carried at cost or initially accounted for at fair value if acquired as part of a business combination. Asset lives are re-assessed each year end. Where the expectations differ from previous estimates, the changes have been accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

Depreciation is provided on the cost of all other assets (except assets in the course of construction), so as to write off the cost, less residual value, on a straight-line basis over the expected useful economic life of the assets concerned, as follows:

- |                                           |                 |
|-------------------------------------------|-----------------|
| • Long term leasehold properties          | Period of lease |
| • Fixtures, fittings and office equipment | 10 years        |
| • Computer and display equipment          | 3 - 5 years     |

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future years is adjusted accordingly.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, a gain on bargain purchase arises, this is recognised directly in the income statement.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### Intangible assets

##### Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

##### Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

#### Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- |                     |              |
|---------------------|--------------|
| • Computer Software | 3 years      |
| • Brands            | 10 years     |
| • Customer Lists    | 2 - 10 years |

The basis for choosing these useful lives are:

- brand longevity considering brand history and market awareness; and
- Customer lists was based on the average customer life per data obtained for valuation work performed.

The group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

## **OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **Intangible assets (continued)**

##### **Impairment of non-financial assets**

Non-financial assets such as investments, brands and non-contractual customer relationships are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

##### **Leases**

Where the Company is a lessee, a right-of-use asset and lease liability are both recognised at the outset of the lease. Each lease liability is initially measured at the present value of the remaining lease payment obligations taking account of the likelihood of lease extension or break options being exercised. Each lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any modifications to the lease. The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, plus lease payments made at or before the commencement date adjusted by the amount of any prepaid or accrued lease payments, less any incentives received to enter in to the lease, plus any initial direct costs incurred by the group to execute the lease, plus an estimate of any costs expected to be incurred at the end of the lease to dismantle or restore the asset, and less any onerous lease provision. The right-of-use asset is depreciated in accordance with the group's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

For the prior year comparatives, Leases were accounted for under IAS 17, Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

##### **Investments**

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to affect the amount of return achieved from the investee.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the company financial statements.

Entities in which the group holds an interest, and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### Exceptional items

Items which are significant by virtue of their size or nature which are considered non-recurring are classified as exceptional items. Such items, which include professional and legal costs in respect of business restructuring, COVID-19 and refinancing are included within exceptional items. Exceptional items are excluded from underlying profit measures used by the board to monitor and measure the underlying performance of the group and are presented separately within the notes to the accounts (see note 4).

#### Financial assets

##### Classification

The group's financial assets comprise of cash and trade receivables. Each of these items are recognised at amortised cost in accordance with IFRS 9. A financial asset should be measured at amortised cost if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets which are held to collect contractual cash flows as well as selling the assets are recognised at fair value through other comprehensive income. Assets which do not fit the other categories are recognised at fair value through profit or loss. The group does not have such assets within the business and therefore all assets have been recognised at amortised cost in accordance with IFRS 9.

#### Trade and other receivables

Trade and other receivables are amounts due from customers, agencies or other parties for services performed in the ordinary course of business.

Trade receivables are recognised at amortised cost in accordance with IFRS 9. The impairment model introduced in IFRS 9 requires the recognition of impairment provisions to trade receivables based on expected credit losses rather than incurred credit losses as was the case under IAS 39. These impairment provisions have been determined to initially be fully provided for once the aged debt has reached 60+ days. An assessment of recoverability is then performed. This is because the majority of customers pay by direct debit and therefore due to the nature of these types of payment, the credit risk increases once the account is two months in arrears. The group has therefore adopted the prudent approach of fully providing for these in line with IFRS 9. The simplified approach has adopted in the calculation of the provisions.

Trade and other receivables also include contract assets which primarily arise where services have been provided but the amount incurred and margin earned has yet to be invoiced to the client due to timing of the completion of the performance obligation and are considered contract assets for disclosures required under IFRS 15 'Revenue from Contracts with Customers'.

#### Cash and cash equivalents

In the consolidated and company balance sheets, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### Financial liabilities

The classification and measurement of financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are classified as financial liabilities recognised at amortised cost in accordance with IFRS 9.

## **OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. All other costs are expensed as incurred. Borrowings are subsequently carried at amortised cost; any difference between the fair value initially recognised and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The effective interest method takes into account estimations of future cash flows associated with the instrument. Management are required to re-assess these estimates at each reporting date and where the expectations of the nature and timing of cash flows change a one-off adjustment is required to alter the carrying value of the instrument in accordance with those new expectations.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date in which case they are classified as non-current.

Interest on borrowings is treated as an expense in the income statement, with the exception of interest costs incurred on the financing of major projects, which are capitalised within property, plant and equipment.

#### **Employee benefits**

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchanged for the grant of the options is recognised as an expense.

#### **Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **Revenue**

IFRS 15, the Revenue standard for revenue recognition establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It has been noted that there are the following performance obligations for each revenue stream:

##### *Accountancy*

The accountancy services segment of the group provides a fully comprehensive accountancy service to small businesses and contractors. These services earn revenue based on a monthly fixed fee cost which is billed on a monthly basis. Year-end accounts preparation naturally requires more time, however the business model of the group is to provide a fixed-fee service. In addition to this, resources provided to service the customer contracts are required at equal levels throughout the year.

As accountancy services are intertwined with one another, it is deemed that these are not separately identifiable and therefore there is one performance obligation, which is to perform the entire service for each client. The services provided take place evenly over an annual cycle. Therefore, revenue is recognised evenly over a period of a year and is over a period of time.

##### *Umbrella*

Revenue for the Umbrella business is recognised at a point in time when the related work has been performed by the contractor and the performance obligation has been satisfied. Optionis provides a range of umbrella services to contractors. The contractor will complete an assignment for an agency, who will then pay Optionis the agreed contract rate (after deducting their fee). The performance obligation is deemed to be when the work has been completed by the contractor.

##### *Tax*

Optionis provides a CIS tax return service to contractors, Optionis calculate and file the CIS return to HMRC on behalf of the customer. It is at the point where the CIS return has been filed with HMRC that the performance obligation has been met and the revenue is recognised.

*There is no variable consideration in all revenue streams.*

#### **Grants**

Grants are credited to the Statement of comprehensive income in the period to which they relate and recognised as a reduction in administration expenses.

#### **Referral Fees**

Amount payable to agencies as a referral fee for new clients are recognised in the statement of comprehensive income in the period in which the fee is incurred. They are recognised as an operating expenses.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### Income tax

The tax expense 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. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Company

The company financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis as modified by the recognition of certain financial assets and liabilities measured at fair value.

#### Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The individual company accounts of Optionis Limited have also adopted the following disclosure exemptions which are made within the consolidated statements of Optionis Limited:

- categories of financial instruments;
- key management personnel disclosure;
- items of income, expenses, gains or losses relating to financial instruments;
- exposure to and management of financial risks; and
- the requirement to present a statement of cash flows and related notes.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. Critical accounting judgements and estimates

#### Group

The preparation of consolidated financial information requires the group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

#### Significant estimates

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future period affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

#### Revenue recognition

The group acts as a principal in arrangements when invoicing on behalf of its contractors (who are engaged by the company on permanent employment contracts) to recruitment agencies. As the employment and other risks are borne by the group in holding the contractors as its employees the company is considered to be a principal in the arrangement in line with IFRS 15. Accordingly, turnover represents the amount invoiced and collected from recruitment agencies for fulfilling assignments at their end clients using employees of the group, including arrangements where no commission is directly receivable by the group. If the group were considered to be acting as an agent, revenue would represent commission receivable relating to supply of temporary workers and would not include remuneration costs of the temporary workers. Whilst the different treatment would impact the quantum of revenue and contractor employee costs it would have no effect on the reported earnings before interest, tax, depreciation, amortisation, loss on disposal and exceptional expenses (Adjusted EBITDA) of the group.

There are also performance obligations to be recognised across each revenue stream as follows:

#### Accountancy

As accountancy services are intertwined with one another, it is deemed that these are not separately identifiable and therefore there is one performance obligation, which is to perform the entire service for each client.

#### Tax

The performance obligation related to this service is the transfer of the rebate to the customer. Due to the fact that the rebate is sent to the customer ahead of receiving the funds from HMRC based upon an initial assessment of what is likely to be received, the obligation is not the completion of the tax return as the money is sent before this is completed (although submission of the return and payment to the supplier largely occur simultaneously).

#### Umbrella

Optionis provides a range of umbrella services to contractors. The contractor will complete an assignment for an agency, who will then pay Optionis the agreed contract rate (after deducting their fee). The performance obligation is deemed to be when the work has been completed by the contractor.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. Critical accounting judgements and estimates (continued)

#### Impairment of goodwill, brands and customer lists

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

The group is required to test annually, or as triggering events occur, whether the goodwill, brands or technology are subject to impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Further details of key assumptions made as part of this annual review is provided in note 11.

#### Company

No critical accounting judgements and estimates have been made in the preparation of the Company financial statements.

### 4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers (CODM), who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and Chief Financial Officer of the group. The CODM reviews the key profit measure, 'adjusted EBITDA pre-exceptional items'. Following the acquisition of Optionis Midco Limited group in December 2016, Information presented for review by the CODM has been disaggregated by service range, with operating segments identified as Accountancy Services, Umbrella Contracting Services, Tax Services and overheads. The key group performance measure is adjusted EBITDA pre-exceptional items, as detailed below, which is profit before net finance cost, tax, exceptional items, depreciation and amortisation and other non-underlying items.

|                                                          | Year ended 31 October 2020 |                               |              |                 |                |
|----------------------------------------------------------|----------------------------|-------------------------------|--------------|-----------------|----------------|
|                                                          | Accountancy services       | Umbrella Contracting services | Tax Services | Other           | Total          |
|                                                          | £'000                      | £'000                         | £'000        | £'000           | £'000          |
| <b>Total revenues</b>                                    | <b>32,420</b>              | <b>402,815</b>                | <b>626</b>   | <b>-</b>        | <b>435,861</b> |
| <b>Revenue less costs of employee contractors</b>        | <b>32,420</b>              | <b>8,870</b>                  | <b>626</b>   | <b>-</b>        | <b>41,916</b>  |
| <b>Operating profit</b>                                  | <b>19,496</b>              | <b>1,039</b>                  | <b>390</b>   | <b>(10,563)</b> | <b>10,362</b>  |
| <b>Add back:</b>                                         |                            |                               |              |                 |                |
| Depreciation                                             | 601                        | 231                           | 2            | 174             | 1,008          |
| Amortisation                                             | 1,578                      | 992                           | -            | 108             | 2,678          |
| Impairment                                               | 238                        | -                             | -            | -               | 238            |
| Loss/(gain) on disposal of property, plant and equipment | (8)                        | 56                            | -            | -               | 48             |
| <b>Adjusted EBITDA</b>                                   | <b>21,905</b>              | <b>2,318</b>                  | <b>392</b>   | <b>(10,281)</b> | <b>14,334</b>  |
| <b>Add back costs regarded as non-underlying:</b>        |                            |                               |              |                 |                |
| Exceptional costs (i)                                    | 137                        | 993                           | -            | 940             | 2,070          |
| <b>Adjusted EBITDA pre-exceptional costs</b>             | <b>22,042</b>              | <b>3,311</b>                  | <b>392</b>   | <b>(9,341)</b>  | <b>16,404</b>  |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Segment reporting (continued)

#### (i) Exceptional costs

Exceptional costs relate to additional costs associated with supporting furlough for umbrella employees (£852k), restructuring of the management team (£429k), office closures (£291k) and other items (£499k). These costs are considered a non-underlying exceptional cost as they are regarded as non-trading and non-recurring.

|                                                   | Year ended 31 October 2019 |                               |              |                |                |
|---------------------------------------------------|----------------------------|-------------------------------|--------------|----------------|----------------|
|                                                   | Accountancy services       | Umbrella Contracting services | Tax Services | Other          | Total          |
|                                                   | £'000                      | £'000                         | £'000        | £'000          | £'000          |
| <b>Total revenues</b>                             | <b>38,121</b>              | <b>287,788</b>                | <b>840</b>   | <b>-</b>       | <b>326,749</b> |
| Revenue less costs of employee contractors        | 38,121                     | 7,746                         | 840          | -              | 46,707         |
| <b>Operating profit</b>                           | <b>23,245</b>              | <b>24</b>                     | <b>590</b>   | <b>(9,139)</b> | <b>14,720</b>  |
| <b>Add back:</b>                                  |                            |                               |              |                |                |
| Depreciation                                      | 268                        | 131                           | 2            | 75             | 476            |
| Amortisation                                      | 1,713                      | 1,074                         | 3            | 11             | 2,801          |
| Loss on disposal of property, plant and equipment | -                          | 51                            | -            | -              | 51             |
| <b>Adjusted EBITDA</b>                            | <b>25,226</b>              | <b>1,280</b>                  | <b>595</b>   | <b>(9,053)</b> | <b>18,048</b>  |
| <b>Add back costs regarded as non-underlying:</b> |                            |                               |              |                |                |
| Exceptional costs                                 | -                          | -                             | -            | 156            | 156            |
| <b>Adjusted EBITDA pre-exceptional costs</b>      | <b>25,226</b>              | <b>1,280</b>                  | <b>595</b>   | <b>(8,897)</b> | <b>18,204</b>  |

#### (i) Exceptional costs

Exceptional costs relating to restructure of the management team during the period. These costs are considered a non-underlying exceptional cost as they are regarded as non-trading and non-recurring.

### 5. Revenue split

| By product/service            | 2020           | 2019           |
|-------------------------------|----------------|----------------|
|                               | £'000          | £'000          |
| Rendering of services         | 435,861        | 326,749        |
| <b>Total</b>                  | <b>435,861</b> | <b>326,749</b> |
|                               |                |                |
| By product category           |                |                |
| Accountancy services          | 32,420         | 38,121         |
| Tax services                  | 626            | 840            |
| Umbrella contracting services | 402,815        | 287,788        |
| <b>Total</b>                  | <b>435,861</b> | <b>326,749</b> |

Information regarding geographical areas is not presented as revenue for the group and is all derived within the United Kingdom.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Expenses by nature

Operating profit is stated after charging:

|                                                   | 2020           | 2019           |
|---------------------------------------------------|----------------|----------------|
|                                                   | £'000          | £'000          |
| Depreciation (note 12)                            | 1,008          | 476            |
| Amortisation of other intangible assets (note 11) | 2,678          | 2,801          |
| Impairment of tangible assets                     | 238            | -              |
| Operating lease expense                           | -              | 944            |
| Loss on disposal of PPE                           | 48             | 51             |
| Cost of employee contractors (note 7)             | 393,945        | 280,042        |
| Employee benefit expenses (note 7)                | 17,094         | 17,882         |
| Exceptional costs                                 | 2,070          | 156            |
| Other expenses                                    | 8,418          | 9,677          |
|                                                   | <b>425,499</b> | <b>312,029</b> |

Auditor's remuneration:

|                                                                                      | 2020       | 2019       |
|--------------------------------------------------------------------------------------|------------|------------|
|                                                                                      | £'000      | £'000      |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 65         | 50         |
| Fees payable to the company's auditors and its associates for other services:        |            |            |
| Audit of the accounts of subsidiaries                                                | 104        | 96         |
| Audit related assurance services                                                     | -          | 9          |
| Tax compliance services                                                              | 66         | 76         |
| Other accountancy and assurance services                                             | 26         | 60         |
|                                                                                      | <b>261</b> | <b>291</b> |

Other expenses include the overheads related to running the offices, IT costs, HR costs and referral fees payable to agencies.

Employee benefit expenses above are stated net of furlough claims of £537k. Costs of employee contractors are stated net of furlough claims of £3,628k.

### 7. Employees and directors

Staff costs for the group during the year:

|                       | 2020          | 2019          |
|-----------------------|---------------|---------------|
|                       | £'000         | £'000         |
| Wages and salaries    | 15,156        | 15,974        |
| Social security costs | 1,555         | 1,541         |
| Other pension costs   | 383           | 367           |
|                       | <b>17,094</b> | <b>17,882</b> |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. Employee and directors (continued)

In addition, the Group had contracted out employees during the year whose costs were as follows:

|                                          | 2020           | 2019           |
|------------------------------------------|----------------|----------------|
|                                          | £'000          | £'000          |
| Wages and salaries                       | 346,377        | 244,191        |
| Social security costs                    | 40,197         | 28,649         |
| Pension costs-defined contribution plans | 2,964          | 1,392          |
| Expenses                                 | 4,407          | 5,810          |
|                                          | <b>393,945</b> | <b>280,042</b> |

Average monthly number of people (including executive directors) employed:

|                      | 2020         | 2019         |
|----------------------|--------------|--------------|
| Operations           | 378          | 430          |
| Administration staff | 174          | 174          |
| Contracted out       | 7,576        | 6,536        |
|                      | <b>8,128</b> | <b>7,140</b> |

The key management of the group comprise the directors. Further disclosure of the amounts paid to key management is included within note 25.

Directors Emoluments

Remuneration in respect of directors was as follows:

|                                | 2020       | 2019       |
|--------------------------------|------------|------------|
|                                | £'000      | £'000      |
| Short-term employment benefits | 880        | 642        |
| Other pension costs            | 5          | -          |
|                                | <b>885</b> | <b>642</b> |

In addition, compensation for loss of office of £150,962 was paid to two directors (2019: £Nil).

Directors' emoluments were paid by Optionis Group Limited. No recharges were made to the company for the directors' services and the directors do not believe it possible to apportion their remuneration between the companies.

The highest paid director received remuneration of £315,361 (2019: £237,557). The group considers key management to be the directors of the business; see note 25 for further details.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. Finance costs

|                                                   | 2020          | 2019          |
|---------------------------------------------------|---------------|---------------|
|                                                   | £'000         | £'000         |
| Interest payable on secured borrowings (i)        | 8,969         | 9,317         |
| Interest payable on loan notes (ii)               | 7,452         | 4,939         |
| Amortisation of loan arrangement costs            | -             | 318           |
| Other finance costs                               | 650           | -             |
| Lease interest payable                            | 266           | -             |
| Other interest payable                            | 181           | 242           |
| <b>Total interest payable and similar charges</b> | <b>17,518</b> | <b>14,816</b> |

(i) The secured bank borrowings are secured by means of a fixed and floating charge over the assets of the group.

The group has a loan with Alcentra UK DLF S.A.R.L. of £108,000,000 (2019: £120,000,000). The balance on this loan is repayable in full in December 2023. The interest rate on the loan is LIBOR, at a minimum of 0.75%, + 7% and settled quarterly.

(ii) The loan notes relate to £34,319,658 (2019: £34,319,658) due to shareholders and £15,000,000 (2019: £15,000,000) due to vendors. All loan notes are repayable in full in September 2022. The interest rate on the loan notes is fixed at 10% and was settled quarterly until year end. In accordance with existing options within the loan note agreements, interest is no longer being paid but is being accrued on these loan notes.

### 9. Finance income

|                          | 2020      | 2019      |
|--------------------------|-----------|-----------|
|                          | £'000     | £'000     |
| Bank interest receivable | 33        | 88        |
|                          | <b>33</b> | <b>88</b> |

### 10. Taxation

Analysis of income tax charge:

|                                                   | 2020         | 2019         |
|---------------------------------------------------|--------------|--------------|
|                                                   | £'000        | £'000        |
| Current tax on profits for the year               | 217          | 1,370        |
| Adjustments in respect of prior years             | (91)         | (117)        |
| <b>Total current tax</b>                          | <b>126</b>   | <b>1,253</b> |
| Deferred tax on profits for the year              | -            | -            |
| Origination and reversal of temporary differences | (262)        | (286)        |
| <b>Total deferred tax (note 209)</b>              | <b>(262)</b> | <b>(286)</b> |
| <b>Income tax (credit)/expense</b>                | <b>(136)</b> | <b>967</b>   |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. Taxation (continued)

Factors affecting tax charge for the year

The effective tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

|                                                             | 2020         | 2019       |
|-------------------------------------------------------------|--------------|------------|
|                                                             | £'000        | £'000      |
| (Loss) on ordinary activities before tax                    | (7,123)      | (8)        |
| (Loss) before corporation tax rate of 19.00% (2019: 19.00%) | (1,353)      | (2)        |
| Effects of:                                                 |              |            |
| Expenses not deductible for tax purposes                    | 1,171        | 1,036      |
| Adjustments in respect of prior years                       | (91)         | (117)      |
| Movements on deferred tax not recognised                    | 137          | 50         |
| <b>Total taxation (credit)/expense</b>                      | <b>(136)</b> | <b>967</b> |

The Finance (No.2) Act 2015 introduced a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. These reductions were substantively enacted on 26 October 2015. The Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17% from 1 April 2020. This was substantively enacted on 6 September 2016.

A budget resolution to cancel the reduction in the main rate from 19% to 17% was given statutory effect under the Provisional Collection of Taxes Act 1968 and substantively enacted on 17 March 2020. Accordingly, deferred tax balances are valued at 19%.

### 11. Intangible assets

|                                    | 31 October 2020 |              |                |                   |                |
|------------------------------------|-----------------|--------------|----------------|-------------------|----------------|
|                                    | Goodwill        | Brand        | Customer Lists | Computer Software | Total          |
|                                    | £'000           | £'000        | £'000          | £'000             | £'000          |
| <b>Cost</b>                        |                 |              |                |                   |                |
| <b>At 1 November 2018</b>          | 165,255         | 1,842        | 14,633         | 647               | 182,377        |
| Additions                          | -               | -            | -              | 498               | 498            |
| <b>At 31 October 2019</b>          | 165,255         | 1,842        | 14,633         | 1,145             | 182,875        |
| Additions                          | -               | -            | -              | 246               | 246            |
| <b>At 31 October 2020</b>          | <b>165,255</b>  | <b>1,842</b> | <b>14,633</b>  | <b>1,391</b>      | <b>183,121</b> |
| <b>Amortisation and impairment</b> |                 |              |                |                   |                |
| <b>At 1 November 2018</b>          | 36,973          | 337          | 4,180          | 358               | 41,848         |
| Charge for the year                | -               | 184          | 2,389          | 228               | 2,801          |
| <b>At 31 October 2019</b>          | 36,973          | 521          | 6,569          | 586               | 44,649         |
| Charge for the year                | -               | 184          | 2,292          | 202               | 2,678          |
| <b>At 31 October 2020</b>          | <b>36,973</b>   | <b>705</b>   | <b>8,861</b>   | <b>788</b>        | <b>47,327</b>  |
| <b>Net book value</b>              |                 |              |                |                   |                |
| <b>At 31 October 2020</b>          | <b>128,282</b>  | <b>1,137</b> | <b>5,772</b>   | <b>603</b>        | <b>135,794</b> |
| <b>At 31 October 2019</b>          | <b>128,282</b>  | <b>1,321</b> | <b>8,064</b>   | <b>559</b>        | <b>138,226</b> |
| <b>At 31 October 2018</b>          | <b>128,282</b>  | <b>1,505</b> | <b>10,453</b>  | <b>289</b>        | <b>140,529</b> |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. Intangible assets (continued)

The amortisation is recognised wholly within the depreciation and amortisation income statement line item.

The brand and customer lists categories are intangible assets that were recognised on the purchase of First Freelance Limited and First Umbrella Limited being the customer lists of the companies and with Optionis Midco Limited (previously Optionis Holdco Limited) being the brand and customer lists of Parasol and Clearsky Contractor Accounting. As at 31 October 2020, First Umbrella customer list had a remaining useful economic life of 7 years (2019: 8 years). The First Freelance Limited customer list has been fully amortised (2019: 0.5 years). The Parasol brand and customer list had a remaining useful economic life of 7 (2019: 8) and 7 (2019: 8) years, respectively. The Clearsky Contractor accounting brand and customer list had a remaining useful economic life of 7 (2019: 8) and 0 (2019: 1) years respectively.

Impairment tests for goodwill

Goodwill is monitored by management based on the categories set out below. A summary of CGUs and allocation of goodwill held by the group is presented below:

|                               | 2020<br>£'000  | 2019<br>£'000  |
|-------------------------------|----------------|----------------|
| <b>Goodwill by CGU</b>        |                |                |
| Accountancy services          | 117,935        | 117,935        |
| Umbrella contracting services | 10,347         | 10,347         |
| Total                         | <b>128,282</b> | <b>128,282</b> |

The recoverable amount of the Accountancy and Umbrella CGUs has been determined based on the value in use calculation. The calculation of the value in use is based on projected cash flows for each of the CGU's for three years and into perpetuity. These future cash flows have been discounted at the WACC rate, which has been determined to be 8.27% (2019: 8.27%)

The key element of Judgement is the forecasting of the net client numbers in each of the CGU over the 3 year review period. The major assumptions are as follows:

|                          | Accountancy | Umbrella |
|--------------------------|-------------|----------|
| Growth in client numbers | 32%         | 81%      |

If growth in client numbers, were to fall to the below rates, the carrying amount and recoverable amount would be equal.

|                             | Accountancy | Umbrella |
|-----------------------------|-------------|----------|
| Reduction in client numbers | (21%)       | (55%)    |

# OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12. Property, plant and equipment

|                                    | <b>31 October 2020</b>         |                                        |       |
|------------------------------------|--------------------------------|----------------------------------------|-------|
|                                    | Long term leasehold properties | Fixtures fittings and office equipment | Total |
|                                    | £'000                          | £'000                                  | £'000 |
| <b>Cost</b>                        |                                |                                        |       |
| At 1 November 2018                 | 1,031                          | 1,239                                  | 2,270 |
| Additions                          | 31                             | 266                                    | 297   |
| Disposals                          | -                              | (51)                                   | (51)  |
| At 31 October 2019                 | 1,062                          | 1,454                                  | 2,516 |
| Additions                          | 2                              | 388                                    | 390   |
| Disposals                          | (92)                           | (102)                                  | (194) |
| At 31 October 2020                 | 972                            | 1,740                                  | 2,712 |
| <b>Depreciation and impairment</b> |                                |                                        |       |
| At 1 November 2018                 | 339                            | 596                                    | 935   |
| Charge for the year                | 96                             | 380                                    | 476   |
| At 31 October 2019                 | 435                            | 976                                    | 1,411 |
| Charge for the year                | 96                             | 306                                    | 402   |
| Disposals                          | (71)                           | (45)                                   | (116) |
| At 31 October 2020                 | 460                            | 1,237                                  | 1,697 |
| <b>Net book amount</b>             |                                |                                        |       |
| At 31 October 2020                 | 512                            | 502                                    | 1,015 |
| At 31 October 2019                 | 627                            | 478                                    | 1,105 |
| At 31 October 2018                 | 692                            | 643                                    | 1,335 |

There are no assets which are used as security.

| Right-of-use assets - Group                        | Long term leasehold properties | Total |
|----------------------------------------------------|--------------------------------|-------|
|                                                    | £'000                          | £'000 |
| <b>Cost</b>                                        |                                |       |
| At 31 October 2019                                 | -                              | -     |
| Recognition of right-of-use assets                 | 3,122                          | 3,122 |
| Right-of-use assets recognised at 01 November 2019 | 3,122                          | 3,122 |
| Additions                                          | -                              | -     |
| At 31 October 2020                                 | 3,122                          | 3,122 |
| <b>Depreciation and impairment</b>                 |                                |       |
| At 01 November 2019                                | -                              | -     |
| Charge for the year                                | (606)                          | (606) |
| Impairment charges                                 | (238)                          | (238) |
| At 31 October 2020                                 | (844)                          | (844) |
| <b>Net book value</b>                              |                                |       |
| At 31 October 2020                                 | 2,278                          | 2,278 |
| At 01 November 2019                                | 3,122                          | 3,122 |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. Investments

Shares in group  
undertakings  
£'000  
700

As at 31 October 2019 and 31 October 2020

Investments comprise equity shares in Optionis Group Limited which are not publicly traded. During the year the company received dividends of £nil (2019: £nil) from Optionis Group Limited.

Investments in subsidiaries

At 31 October 2020 the group and the company had interests in the following subsidiaries:

| Entity                                   | Principal activity           | Country of incorporation | Proportion held (%) |
|------------------------------------------|------------------------------|--------------------------|---------------------|
| <b>Direct Holding</b>                    |                              |                          |                     |
| Optionis Group Limited                   | Administrative services      | England & Wales          | 100%                |
| <b>Indirect Holding</b>                  |                              |                          |                     |
| SJD Accountancy Limited                  | Accountancy and tax services | England & Wales          | 100%                |
| Nixon Williams Limited                   | Accountancy and tax services | England & Wales          | 100%                |
| Arkarius Bidco Limited                   | Intermediate Holding Company | England & Wales          | 100%                |
| Arkarius Midco Limited                   | Intermediate Holding Company | England & Wales          | 100%                |
| Clearsky Contractor Accounting Limited   | Accountancy and tax services | England & Wales          | 100%                |
| Optionis Midco Limited                   | Intermediate holding co      | England & Wales          | 100%                |
| Optionis Bidco Limited                   | Intermediate holding co      | England & Wales          | 100%                |
| Optionis Management Limited              | Administrative services      | England & Wales          | 100%                |
| Parasol Limited                          | Consultancy services         | England & Wales          | 100%                |
| Clearsky Accountancy and Payroll Limited | Professional Services        | England & Wales          | 100%                |
| Brian Alfred Associates Limited          | Tax services                 | England & Wales          | 100%                |
| Arnsco Limited                           | Tax services                 | England & Wales          | 100%                |
| Arc Licensed Trade Consultancy Limited   | Accountancy and tax services | England & Wales          | 100%                |
| Silverline Performance Limited           | Dormant                      | England & Wales          | 100%                |
| Wheatley Pearce Limited                  | Dormant                      | England & Wales          | 100%                |
| First Freelance Limited                  | Accountancy and tax services | England & Wales          | 100%                |
| First Umbrella Limited                   | Consultancy services         | England & Wales          | 100%                |

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Company do not differ from the proportion of ordinary shares held. The Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

The registered office of all the above subsidiary companies is Optionis House, 840 Ibis Court, Centre Park, Warrington, Cheshire, WA1 1RL with the exception of Optionis Group Limited, SJD Accountancy Limited, First Freelance Limited, First Umbrella Limited, Arkarius Bidco Limited and Arkarius Midco Limited whose registered office is the same as Optionis Limited and Nixon Williams Limited whose registered office is 4 Calder Court, Amy Johnson Way, Blackpool, Lancashire, FY4 2RH.

The group agrees to guarantee the liabilities of Optionis Midco Limited, Silverline Performance Limited, ARC Licenced Trade Consultancy Limited, Optionis Management Limited, Optionis Bidco Limited, Brian Alfred Associates Limited, Arnsco Limited, Wheatley Pearce Limited, Arkarius Midco Limited, Clearsky Accounting and Payroll Limited, First Umbrella Limited and First Freelance Limited thereby allowing them to take an exemption from having an audit under section 479A of Companies Act 2006.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14. Trade and other receivables

| <b>Group</b>                             | <b>2020</b>   | <b>2019</b>   |
|------------------------------------------|---------------|---------------|
|                                          | <b>£'000</b>  | <b>£'000</b>  |
| Trade debtors                            | 30,914        | 17,118        |
| Provision for impairment of receivables  | (74)          | (135)         |
| <b>Net trade receivables</b>             | <b>30,840</b> | <b>16,983</b> |
| Prepayments and accrued income           | 1,278         | 1,392         |
| Other receivables                        | 3,145         | 1,029         |
| Corporation tax                          | 421           | -             |
| <b>Total trade and other receivables</b> | <b>35,684</b> | <b>19,404</b> |

The ageing of trade receivables at the balance sheet date was:

|                       | <b>2020</b>   | <b>2019</b>   |
|-----------------------|---------------|---------------|
|                       | <b>£'000</b>  | <b>£'000</b>  |
| Not past due          | 29,915        | 16,522        |
| Past due 0 – 30 days  | 450           | 418           |
| Past due 31 – 60 days | 102           | 72            |
| More than 60 days     | 447           | 106           |
|                       | <b>30,914</b> | <b>17,118</b> |

#### Company

|                                          |            |            |
|------------------------------------------|------------|------------|
| Amounts owed by group undertakings       | <b>127</b> | <b>127</b> |
| <b>Total trade and other receivables</b> | <b>127</b> | <b>127</b> |

There are no material differences between the fair values and book values stated above.

The group had an allowance for expected credit losses of £74,000 (2019: £135,000). Expected credit loss has been determined as balances over two months due separately identified from those on payment terms. There is minimum exposure to credit losses, due to balances owing for accountancy clients being largely collectable by direct debit. Amounts owing from agencies are received prior to paying the contractors, in the event of non-payment, the group is only liable for minimum wage.

Amounts owed by group undertakings are interest free and repayable on demand.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Cash and cash equivalents

|                                  | 2020          | 2019          |
|----------------------------------|---------------|---------------|
|                                  | £'000         | £'000         |
| Cash at bank and in hand         | 47,450        | 19,023        |
| <b>Cash and cash equivalents</b> | <b>47,450</b> | <b>19,023</b> |

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

|                                  | 2020          | 2019          |
|----------------------------------|---------------|---------------|
|                                  | £'000         | £'000         |
| Cash at bank and in hand         | 47,450        | 19,023        |
| <b>Cash and cash equivalents</b> | <b>47,450</b> | <b>19,023</b> |

### 16. Trade and other payables

|                                       | 2020           | 2019          |
|---------------------------------------|----------------|---------------|
|                                       | £'000          | £'000         |
| Trade payables                        | 952            | 861           |
| Corporation tax                       | -              | 763           |
| Other tax and social security payable | 28,833         | 22,085        |
| Accruals and other payables           | 71,773         | 21,045        |
|                                       | <b>101,558</b> | <b>44,754</b> |
| <b>Non-current</b>                    |                |               |
| Other creditors                       | -              | 298           |
|                                       | <b>101,558</b> | <b>45,052</b> |

There are no material differences between the fair values and book values stated above.

Accruals and other payable relate to VAT payable and amounts owing to contracted out employees for work completed during the period.

### 17. Lease liabilities

| Group                                                           | Long term leasehold properties | Total        |
|-----------------------------------------------------------------|--------------------------------|--------------|
|                                                                 | £'000                          | £'000        |
| At 31 October 2019                                              | -                              | -            |
| Recognition of lease liability under IFRS 16                    | 3,411                          | 3,411        |
| <b>Opening lease liabilities recognised at 01 November 2019</b> | <b>3,411</b>                   | <b>3,411</b> |
| Lease liability payments                                        | (855)                          | (855)        |
| Finance costs                                                   | 266                            | 266          |
| <b>At 31 October 2020</b>                                       | <b>2,822</b>                   | <b>2,822</b> |

Lease liabilities are comprised of the following balance sheet amounts:

|                                      | 31 October 2020 | 31 October 2019 |
|--------------------------------------|-----------------|-----------------|
|                                      | IFRS 16         | IAS 17          |
|                                      | £'000           | £'000           |
| Amounts due within one year          | 610             | -               |
| Amounts due after more than one year | 2,212           | -               |
|                                      | <b>2,822</b>    | <b>-</b>        |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Lease liabilities (continued)

Lease liabilities are as follows:

|                                                | 31 October 2020<br>IFRS 16<br>£'000 | 31 October 2019<br>IAS 17<br>£'000 |
|------------------------------------------------|-------------------------------------|------------------------------------|
| <b>Not more than one year</b>                  |                                     |                                    |
| Minimum lease payments                         | 829                                 | -                                  |
| Interest element                               | (219)                               | -                                  |
| <b>Present value of minimum lease payments</b> | <b>610</b>                          | <b>-</b>                           |
| <b>Between one and five years</b>              |                                     |                                    |
| Minimum lease payments                         | 2,595                               | -                                  |
| Interest element                               | (383)                               | -                                  |
| <b>Present value of minimum lease payments</b> | <b>2,212</b>                        | <b>-</b>                           |

### 18. Provision for liabilities

|                        | 2020<br>£'000 | 2019<br>£'000 |
|------------------------|---------------|---------------|
| Dilapidation provision | 555           | 632           |
| Consultancy provision  | 616           | 567           |
| Other provisions       | 433           | 445           |
|                        | <b>1,604</b>  | <b>1,644</b>  |
| Current                | 929           | 1,012         |
| Non-current            | 675           | 632           |
|                        | <b>1,604</b>  | <b>1,644</b>  |

Movement in dilapidations provision

|                             | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------------|---------------|---------------|
| Opening balance             | 632           | 668           |
| Charged to income statement | (77)          | -             |
| Utilised                    | -             | (36)          |
| <b>Closing balance</b>      | <b>555</b>    | <b>632</b>    |

The dilapidations provision relates to the best estimate of future reparations costs in relation to leases occupied by the group. The provision is expected to be utilised in line with the cessation of each of the leases.

Movement in consultancy provision

|                            | 2020<br>£'000 | 2019<br>£'000 |
|----------------------------|---------------|---------------|
| Opening balance            | 567           | 308           |
| Charge to income statement | (125)         | (582)         |
| Released                   | 164           | 941           |
| Utilised                   | 10            | (100)         |
| <b>Closing balance</b>     | <b>616</b>    | <b>567</b>    |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Provision for liabilities (continued)

The group recognises a provision for consultancy costs that could be incurred but for which the contractual obligations have not been fulfilled by the consultant. Based on analysis performed the group have assessed this and consider that the provision should cover unclaimed amounts for a period of six months based on the actual evidence of the utilisation of this provision in previous years.

Movement in other provisions

|                            | 2020  | 2019  |
|----------------------------|-------|-------|
|                            | £'000 | £'000 |
| Opening balance            | 445   | 454   |
| Credit to income statement | 121   | -     |
| Utilised                   | (133) | (9)   |
| Closing balance            | 433   | 445   |

Within other provisions, the group recognises a provision for the risk of Professional Indemnity claims arising from current or former customers. The provision is measured based on trend analysis of historical claims raised against companies in the group which the directors believe to be appropriate.

### 19. Borrowings

|                          | 2020           | 2019           |
|--------------------------|----------------|----------------|
|                          | £'000          | £'000          |
| <b>Current</b>           |                |                |
| Bank loans               | 4,425          | -              |
| <b>Non-current</b>       |                |                |
| Bank loans               | 108,000        | 120,000        |
| Loan notes               | 49,392         | 49,392         |
| <b>Total non-current</b> | <b>157,392</b> | <b>169,392</b> |
| <b>Total borrowings</b>  | <b>161,817</b> | <b>169,392</b> |

#### (i) Bank loans

The secured bank borrowings are secured by means of a fixed and floating charge over the assets of the group.

The group has a loan with Alcentra UK DLF S.A.R.L. of £108,000,000 (2019: £120,000,000, 2018: £120,000,000). The balance on this loan is repayable in full in December 2023. The interest rate on the loan is LIBOR, at a minimum of 0.75%, + 7% and settled quarterly.

#### (ii) Loan notes

The loan notes relate to £34,392,000 (2019: £34,392,000, 2018: £34,392,000) due to shareholders and £15,000,000 (2019: £15,000,000, 2018: £15,000,000) due to vendors. All loan notes are repayable in full in September 2022. The interest rate on the loan notes is fixed at 10% and was settled quarterly until year-end where no payments have been made since other than to S Dolan.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

|                                                         | 2020           | 2019           |
|---------------------------------------------------------|----------------|----------------|
|                                                         | £'000          | £'000          |
| Deferred tax asset expected to unwind after 1 year      | 74             | 131            |
|                                                         | <u>74</u>      | <u>131</u>     |
| Deferred tax liability expected to unwind within 1 year | (480)          | (480)          |
| Deferred tax liability expected to unwind after 1 year  | (796)          | (1,116)        |
|                                                         | <u>(1,276)</u> | <u>(1,596)</u> |

The gross movement on the deferred tax account is as follows:

|                                        | 2020           | 2019           |
|----------------------------------------|----------------|----------------|
|                                        | £'000          | £'000          |
| Brought forward balance                | (1,465)        | (1,751)        |
| Credited to the income statement       | 263            | 286            |
| Carried forward balance                | <u>(1,202)</u> | <u>(1,465)</u> |
| Deferred tax asset                     | 74             | 131            |
| Deferred tax liability                 | <u>(1,276)</u> | <u>(1,596)</u> |
| Net deferred tax liability at year-end | <u>(1,202)</u> | <u>(1,465)</u> |

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

#### Deferred tax liabilities

|                                 | 31 October 2020                             |                                         |                |
|---------------------------------|---------------------------------------------|-----------------------------------------|----------------|
|                                 | Intangibles arising on acquisition<br>£'000 | Accelerated capital allowances<br>£'000 | Total<br>£'000 |
| At 1 November 2019              | (1,596)                                     | -                                       | (1,596)        |
| Charged to the income statement | 320                                         | -                                       | 320            |
| At 31 October 2020              | <u>(1,276)</u>                              | <u>-</u>                                | <u>(1,276)</u> |

|                                 | 31 October 2019                             |                                         |                |
|---------------------------------|---------------------------------------------|-----------------------------------------|----------------|
|                                 | Intangibles arising on acquisition<br>£'000 | Accelerated capital allowances<br>£'000 | Total<br>£'000 |
| At 1 November 2018              | (2,033)                                     | -                                       | (2,033)        |
| Charged to the income statement | 437                                         | -                                       | 437            |
| At 31 October 2019              | <u>(1,596)</u>                              | <u>-</u>                                | <u>(1,596)</u> |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. Deferred tax (continued)

Deferred tax assets

|                                 | 31 October 2020                         |                              |                            |
|---------------------------------|-----------------------------------------|------------------------------|----------------------------|
|                                 | Accelerated capital allowances<br>£'000 | Share based payment<br>£'000 | Unused tax losses<br>£'000 |
| Total<br>£'000                  |                                         |                              |                            |
| At 1 November 2019              | 131                                     | -                            | -                          |
| Charged to the income statement | (57)                                    | -                            | -                          |
| <b>At 31 October 2020</b>       | <b>74</b>                               | <b>-</b>                     | <b>-</b>                   |

|                                 | 31 October 2019                         |                              |                            |
|---------------------------------|-----------------------------------------|------------------------------|----------------------------|
|                                 | Accelerated capital allowances<br>£'000 | Share based payment<br>£'000 | Unused tax losses<br>£'000 |
| Total<br>£'000                  |                                         |                              |                            |
| At 1 November 2018              | 162                                     | -                            | 120                        |
| Charged to the income statement | (31)                                    | -                            | (120)                      |
| <b>At 31 October 2019</b>       | <b>131</b>                              | <b>-</b>                     | <b>-</b>                   |

### 21. Financial instruments – risk management

Financial liabilities at amortised cost

| At 31 October 2020                                  | 2020<br>£'000  | 2019<br>£'000  |
|-----------------------------------------------------|----------------|----------------|
| Trade Payables                                      | 952            | 861            |
| Accruals and other payables                         | 71,773         | 21,343         |
| Secured borrowings                                  | 112,425        | 120,000        |
| Lease liabilities                                   | 2,822          | -              |
| Loan notes                                          | 49,392         | 49,392         |
| <b>Total Liabilities measured at amortised cost</b> | <b>237,364</b> | <b>191,596</b> |
| Tax and social security payments                    | 28,833         | 22,848         |
| <b>Total Liabilities</b>                            | <b>266,197</b> | <b>214,444</b> |

All financial assets are classified as loans and receivables.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. Financial instruments – risk management (continued)

#### Credit Risk

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by the exposure over a large number of customers rather than a significant concentration.

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks. Credit risk related to the use of treasury instruments is managed on a group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the group has concentrated its main activities with a group of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

Management continually review specific balances for potential indicators of impairment. In the instance where an indicator is identified, management will determine overall recovery from a legal perspective and provide for any irrecoverable amounts. Under IFRS 9, the expected credit loss for trade receivables has been assessed as opposed to only looking at an incurred loss. The conclusion in respect of this, is that the balance is deemed to be fully impaired once the direct debit is past two months due – this is because the majority of clients pay by direct debit and therefore once an account is over two months past due it is noted as being irrecoverable.

The ageing analysis of the trade receivables (from date of past due) but not considered to be impaired is as follows:

|                       | 2020         | 2019         |
|-----------------------|--------------|--------------|
|                       | £'000        | £'000        |
| Not past due          | 8,266        | 5,165        |
| Past due 0 – 30 days  | 450          | 418          |
| Past due 31 – 60 days | 102          | 72           |
| More than 60 days     | 447          | 106          |
|                       | <b>9,265</b> | <b>5,761</b> |

The group had an allowance for expected credit losses of £74,000 (2019: £135,000). Expected credit loss has been determined as balances over two months due separately identified from those on payment terms.

Movements on the provision for impairment of trade and other receivables are as follows:

|                                                          | 2020      | 2019       |
|----------------------------------------------------------|-----------|------------|
|                                                          | £'000     | £'000      |
| At start of the year                                     | 135       | 145        |
| Provision for receivables impairment                     | 82        | 292        |
| Receivables written off during the year as uncollectable | (143)     | (302)      |
| At the end of the financial year                         | <b>74</b> | <b>135</b> |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. Financial instruments – risk management (continued)

#### Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. The group's interest rate risk arises principally from the revolving credit facility and secured borrowings which attract interest with varying terms, see note 18. The group manages its interest rate risk by using a mix of fixed and floating rate debt with varying repayment terms. The group also does not trade in derivative instruments and so is not considered to be exposed to other price risk. The exposure to currency risk is considered below.

#### Interest rate risk

A change of 0.5% in interest rates, over the duration of the financial year would have impacted the financial statements as follows:

|                            | 2020  | 2019  |
|----------------------------|-------|-------|
|                            | £'000 | £'000 |
| Increase in Financial loss | (560) | (600) |
| Decrease in equity         | (560) | (600) |

#### Currency risk

The group has negligible risk to currency fluctuations as the majority of assets and liabilities are held in the same functional currency.

#### Liquidity Risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. The group has generated sufficient cash from operations to meet its working capital requirements. Cash flow forecasting is performed in the operating entities of the group, the group monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The table below details the maturity of the group's borrows:

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. Financial Instruments – risk management (continued)

The following are the contractual maturities of financial liabilities owed by the group:

|                             | Less than one<br>year<br>£'000 | Between one<br>and five years<br>£'000 | Total<br>£'000 |
|-----------------------------|--------------------------------|----------------------------------------|----------------|
| <b>At 31 October 2020</b>   |                                |                                        |                |
| Trade Payables              | 952                            | -                                      | 952            |
| Accruals and other payables | 71,773                         | -                                      | 71,773         |
| Secured borrowings          | 4,425                          | 108,000                                | 112,425        |
| Lease liabilities           | 830                            | 2,598                                  | 3,428          |
| Loan notes                  | -                              | 49,392                                 | 49,392         |
| <b>Total</b>                | <b>77,760</b>                  | <b>159,604</b>                         | <b>237,970</b> |
| <hr/>                       |                                |                                        |                |
|                             | Less than one<br>year<br>£'000 | Between one<br>and five years<br>£'000 | Total<br>£'000 |
| <b>At 31 October 2019</b>   |                                |                                        |                |
| Trade and other payables    | 22,204                         | -                                      | 22,204         |
| Secured borrowings          | 8,000                          | 112,000                                | 120,000        |
| Loan notes                  | -                              | 49,392                                 | 49,392         |
| <b>Total</b>                | <b>30,204</b>                  | <b>161,392</b>                         | <b>191,596</b> |

#### Fair value hierarchy

IFRS 13 'Financial Instruments: Disclosures' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The directors consider the fair value of all of its short-term financial instruments is the same as their book value. In respect of borrowings, the director's do not consider there has been a significant change in either credit risk or applicable market rates since the debt was established, nor do they have evidence to suggest that the fair value of borrowings would be significantly different from its carrying value. However due to the size and nature of the group's debt, the fair value of the group's borrowings would be sensitive to any changes in interest rates.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. Financial Instruments (continued)

#### Capital Risk Management

The Directors consider the capital of the group to relate to share capital and group reserves and long-term borrowings. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Directors carefully monitor the group's long-term borrowings including the ability to service debt and long-term forecast covenant compliance. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

The interest rates on each of the group's major monetary assets and liabilities are managed to achieve the desired mix of fixed and variable rates. Measurements of this interest rate risk and its potential volatility to the group's reported financial performance is undertaken on a monthly basis.

Hedging activities are evaluated regularly to align with defined risk appetite and any interest rate risk conditions impaired by lenders; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through varying interest rate cycles.

### 22. Share Capital

|                                           | Number of<br>Ordinary<br>shares of 1p | Share capital<br>£'000s |
|-------------------------------------------|---------------------------------------|-------------------------|
| At 1 November 2019 and at 31 October 2020 | 7,203,608                             | 72                      |

### 23. Changes in Accounting Standards

Following the adoption in the year of IFRS 16 Leases, the following details its impact on the group's Consolidated Financial Statements.

#### IFRS 16 Leases

The group adopted IFRS 16 with effect from 01 November 2019. The group applied the standard using the modified retrospective approach and thus comparative information has not been restated and is presented as previously reported under IAS 17.

The new standard results in all property leases being recognised on the Statement of Financial Position as, from a lessee perspective, there is no longer any distinction between operating and finance leases. Under IFRS 16, an asset, based on the right to use a leased item over a long-term period, and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Under IFRS 16, lessor accounting remains largely unchanged, with lessors continuing to account for leases as either operating or finance leases, depending on whether the lease transfers substantially all the risk and rewards incidental to ownership of the underlying asset, and whether the present value of the sublease payments amount to at least substantially all of the fair value of the underlying asset. The group does not lease any assets as lessor.

The group leases properties, which under IAS 17 were classified as a series of operating lease contracts with payments made charged to profit or loss as arising over the period of the lease. From 01 November 2019, under IFRS 16, leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the leased asset becomes available for use by the group. Each lease payment is allocated between the liability and a finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the determined lease term, which is the shorter of the remaining lease term and first opportunity to break the lease, on a straight-line basis.

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. Changes in Accounting Standards (continued)

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- in determining whether existing contracts meet the definition of a lease, the group has not reassessed those contracts previously identified as leases and has not applied the standard to those contracts not previously identified as leases;
- short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16;
- leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16;
- the use of a single discount rate to its portfolio of leases with reasonably similar characteristics.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17 Leases. For all leases, these liabilities were measured at the present value of the remaining lease payments, discounted using the group's weighted average incremental borrowing rate as of 01 November 2019, which was 8.41%. This was deemed appropriate given that the group's leases have reasonably similar characteristics. The rate was determined as the borrowing rate under the Loan Notes and Alcentra Loan, with appropriate adjustments made to reflect the increased term and amount of borrowing required for a similar lease portfolio, as well as changes to risk rating.

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease if the lessee is reasonably certain to exercise that option. Where a lease includes the option for the group to terminate a lease term early, the group makes a judgement as to whether it is reasonably certain that the lease termination option will be taken.

This predominantly takes into the account the length of time remaining before the option is exercisable, and how likely it is that the option will be exercised. All of the group's leases are below five years.

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(ii), whereby right-of-use assets are equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments, including unamortised lease incentives such as rent-free periods, onerous lease provisions, and an estimate of the dismantling, removal and restoration costs required under the terms of the lease. Under IFRS 16, the right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous leases. An impairment assessment of the cash generating unit ("CGU") assets was performed on transition at 01 November 2019 where it was deemed that there no initial impairment and so no adjustment to opening reserves.

In the consolidated cash flow statement, depreciation of the right-of-use-asset is included in operating activities and the repayment of lease liabilities is included in financing activities whereas under IAS 17 operating lease rental payments were included in operating activities. The impact on the consolidated cash flow statement is an increase in cash inflow from operations of £0.8 million and a decrease in the cash outflow from financing activities of £0.8 million.

The effect of the accounting policy change on the consolidated statement of financial position at implementation on 01 November 2019 was:

|                               | At 31 October<br>2019<br>£'000 | IFRS 16<br>adjustments<br>£'000 | At 01 November<br>2019<br>£'000 |
|-------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Assets</b>                 |                                |                                 |                                 |
| Right-of-use assets           | -                              | 3,122                           | 3,122                           |
| <b>Change in total assets</b> | -                              | 3,122                           | 3,122                           |

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. Changes in Accounting Standards (continued)

|                                    | At 31 October<br>2019 | IFRS 16<br>adjustments | At 01 November<br>2019 |
|------------------------------------|-----------------------|------------------------|------------------------|
| <b>Liabilities</b>                 |                       |                        |                        |
| Lease Liability                    | -                     | 3,411                  | 3,411                  |
| Rent-free creditor                 | 289                   | (289)                  | -                      |
| <b>Change in total liabilities</b> | <b>289</b>            | <b>3,122</b>           | <b>3,411</b>           |

There was no adjustment to retained earnings upon transition.

#### Lease Liabilities

|                                                                  | £'000        |
|------------------------------------------------------------------|--------------|
| Amounts owing under operating leases at 01 November 2019         | 4,678        |
| Service element included in obligations at 01 November 2019      | (387)        |
| Interest to be charged in financial statements in future periods | (854)        |
| Additions                                                        | 43           |
| Disposals                                                        | (161)        |
| Amendments to lease terms                                        | 92           |
| <b>Finance lease liability at 01 November 2019</b>               | <b>3,411</b> |

### 24. Contingent liabilities

The group is from time to time involved in legal actions from third parties and enquiries from HMRC that are incidental to its operations. The directors consider it is unlikely that any liability will arise resulting from any current unprovided legal action or HMRC enquiry that would significantly affect the financial position or profitability of the group.

### 25. Related party transactions

#### Key management personnel compensation

All directors, who have authority and responsibility for planning, directing, and controlling the activities of the company, are key management personnel. The remuneration in respect of these individuals for the year to 31 October 2020 was £885,249 (2019: £642,000).

Compensation typically includes salaries and other short-term employee benefits, post-employment benefits and other long-term benefits.

|                                | 2020       | 2019       |
|--------------------------------|------------|------------|
|                                | £'000      | £'000      |
| Short-term employment benefits | 880        | 642        |
| Other pension costs            | 5          | -          |
|                                | <b>885</b> | <b>642</b> |

In addition, compensation for loss of office of £150,962 was paid to two directors (2019: £Nil).

## OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. Related party transactions (continued)

Transactions with subsidiary companies and companies under common control

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The transactions noted below are with the Directors of the Company or with companies which are under the control of the Directors which are not consolidated:

|                                                                                                     | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------------------------------------------------------------------------------------|---------------|---------------|
| Sales due to SJD Insolvency Limited                                                                 | 570           | 402           |
| Balance due from SJD Insolvency Limited                                                             | (190)         | (130)         |
| Loan notes balance due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP             | 105           | 105           |
| Loan notes balance due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee       | 617           | 617           |
| Loan notes balance due to D Kelly                                                                   | 6,226         | 6,226         |
| Loan notes balance due to I Ahmed                                                                   | 328           | 328           |
| Loan notes balance due to S Dolan                                                                   | 15,000        | 15,000        |
| Loan notes balance due to Sovereign Capital                                                         | 27,116        | 27,116        |
| Accrued interest balance due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP       | 11            | 3             |
| Accrued interest balance due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee | 62            | 16            |
| Accrued interest balance due to D Kelly                                                             | 624           | 157           |
| Accrued interest balance due to I Ahmed                                                             | 33            | 8             |
| Accrued interest balance due to S Dolan                                                             | -             | 378           |
| Accrued interest balance due to Sovereign Capital                                                   | 2,719         | 683           |
| Loan note interest due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP             | -             | 8             |
| Loan note interest due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee       | -             | 46            |
| Loan note interest due to D Kelly                                                                   | -             | 466           |
| Loan note interest due to I Ahmed                                                                   | -             | 25            |
| Loan note interest due to S Dolan                                                                   | 1,504         | -             |
| Payment to a family member of one of the directors                                                  | -             | 43            |
|                                                                                                     | <b>54,725</b> | <b>51,497</b> |

All loan notes are repayable in full in September 2022. The interest rate on the loan notes is fixed at 10%.

### 26. Ultimate controlling party

The Company does not have an immediate parent undertaking, and, in the opinion of the Directors, there is no ultimate controlling party of the group and company.