Company Registration No. 11101337 (England and Wales)

# CTS GROUP HOLDINGS LIMITED

# REPORT AND FINANCIAL STATEMENTS
# FOR THE YEAR ENDED
# 31 DECEMBER 2021

# CTS GROUP HOLDINGS LIMITED

## COMPANY INFORMATION

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|---|---|
| **Directors** | H N Wright<br>R J W Jones<br>G M L'Estrange Gillon<br>M Fowle |
| **Company number** | 11101337 |
| **Registered office** | 7450 Daresbury Park<br>Daresbury<br>Warrington<br>Cheshire<br>WA4 4BS |
| **Auditor** | RSM UK Audit LLP<br>Chartered Accountants<br>3 Hardman Street<br>Manchester<br>M3 3HF |

# CTS GROUP HOLDINGS LIMITED

## STRATEGIC REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

**Principal objectives, strategy, and outlook**
CTS Group Holdings Limited is the ultimate parent company for the CTS Group which provides cloud and managed IT services predominantly to the UK and Ireland legal sector. The company was incorporated on 7 December 2017 to facilitate a management buy-out with the support of Tenzing Private Equity.

Our services are tailored to those required by local, regional and national clients and are now provided from 3 offices in the UK and 1 in New Zealand and, following integration in 2021 of our newly acquired businesses Sprout Technologies Limited ("Sprout") and City Business Solutions Limited ("CBS"), a single operating unit. Current areas of focus are:

- Enhanced opportunities to grow CTS organically
- Integrating into a single operating unit
- Making selective acquisitions
- Developing our business operating model

**Organic growth strategy, and Covid-19**
The UK and Ireland cloud and IT managed services market to the legal sector continues to exhibit growth, both prior to and during Covid-19. Clear opportunities exist for CTS to continue to differentiate its service offering and grow organically, in particular from capitalising on the accelerating need for legal services firms to be agile and remote-enabled, with a significantly enhanced appetite for the benefits of technological solutions in supporting the evolution to new legal service business operating models with new levels of remote working and remote interaction with clients and colleagues.

**Acquisitive growth**
In November 2020, the CTS group made two highly complementary acquisitions, Sprout Technologies Limited and City Business Solutions Limited; both businesses also provide IT managed services to the UK and Ireland legal sector. CTS believe that it can strengthen its business by scaling its service offering through further acquisitions of complementary legal professional service businesses. CTS will expand by being well positioned, because of its investor structure and its deep knowledge of the sector, to take advantage of anticipated consolidation within the UK cloud platform services industry.

**Developing our business operating model**
CTS believes that we can enable growth by evolving our business operating model, including investment and development of our value propositions to our clients, our processes, people, platforms, information systems, vendor relationships and performance management and control tools. We have a number of projects underway to move the business significantly forward in each of these areas.

**Fair review of the business**

The main trading subsidiary. Converge-IT.Net Limited. exhibited strong organic growth and reported turnover of £12 1m (2020 - £9.5m) in its fourth year of trading as part of the CTS Group. Recurring revenue, which comprises over 80% of turnover grew by 29% in the year and contributed to a gross profit of £5.2m (2020 - £4.7m) in that entity.

The group reported 112% growth in turnover which totalled £22.4m (2020 £10.5m) reflecting a full 12-month consolidation of Sprout and CBS during the year and continued growth across the group. This resulted in gross profit of £12.1m (2020: £5.4m).

As a result of the acquisitions made during the prior year, the directors have identified costs of £1.5m, as detailed in note 4, which they consider will not re-occur as synergies are achieved by the combined operation of the businesses. These costs have been disclosed separately as non-recurring to facilitate a better understanding of the underlying cost base.

Recurring administrative expenses of the group are reported as £12.5m (2020: £6.5m) with the key variances being primarily attributable to 2021 including a full year consolidation of Sprout (2020: 1 month) and CBS (2020: 2 months)

Private equity investment in the previous years has enabled the group to invest heavily in an expanded team and skillset to drive client service and to create a platform for scalable growth with employee numbers growing by 29% between 2018 and 2020. As a result of the acquisitions of Sprout and CBS and further investment in employees. 2021 saw employee growth of 145% with this headcount expansion.

Interest costs increased during the year to £3.1m (2020: £1.7m) due mainly to 2021 being the first full year of interest paid on third party lending, which was entered into in November 2020. By comparison, 2020 included only 2 months.

The business remains on a strong financial footing, with the main trading subsidiaries reporting a profit before tax of £1.7m (2020: £1.0m) and cash resources of £2.0m (2020: 1.2m).

The acquisition of Converge-IT.Net Limited by the group in December 2017, and further acquisitions in 2020, has led to significant goodwill being recognised on consolidation. The amortisation of goodwill on consolidation and interest payable on loan notes has led to a group loss of £5.2m (2020: £2.7m) for the period.

Tangible fixed assets increased to £3.2m (2020 £2.1m) as the business continued to invest in its high-quality data centre infrastructure.

Cash in the business has reduced due to £1.5m net repayment of shareholder loans (2020: nil), £1.5m deferred consideration payments for acquisitions completed in the previous financial year (2020: nil) and net £1.2m continued third party debt servicing obligations (2020: net receipt of £14.2m).

Provisions for liabilities decreased from to £0.7m (2020: £1.8m) following deferred consideration payments for acquisitions completed in the previous financial year.

**Principal risks and uncertainties**

The Board monitors both existing and emerging risks. Many of the risks faced by the group are similar to those risks faced by any business but those considered to be key risks for the group are detailed below. Due to the nature of the business and the markets in which it operates, many of the risks it faces are ongoing, proving relevant to more than one single year.

**Economic risk**

The group has proven highly resilient during Covid-19, and has continued to grow revenue and underlying profit before non-recurring items in the main trading subsidiaries, significant during this period.

**Project Delivery risk**

A fundamental part of the group's business is dependent on the successful implementation of complex IT systems within budget, timescale and specification. The delivery of these projects is subject to certain commercial, technical, organisations and third-party risks. The group seeks to minimise this risk by the use of project management methodologies, allocation of trained and experienced personnel and regular project reviews.

**Financial risk**

The group activities expose it to a number of financial risks including costs, the nature of commercial contracts, borrowings, insurances and other financial risks. The group's financial instrument comprises borrowings, cash and other items such as trade debtors and trade creditors arising from operations. The main risks arising from these financial instruments are credit risk and liquidity risk.

**Credit risk**

This is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation resulting in financial loss. The group's principal financial assets are trade receivables and bank balances. The group's credit risks attributable to trade receivables is not subject to significant concentration of credit risks, with exposure spread over a large number of customers.

**Liquidity risk**

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by managing cash generation by regular review with its operations teams and applying cash collection targets throughout the group. Our procedures were upgraded and augmented during Covid-19 including monthly financial stress tests to ensure strong cash control. These have proved highly resilient, resulting in material growth in available cash resources during the year.

**Principal risks and uncertainties (continued)**

**Reputational Risk**

The success of the group's business depends on the maintenance of good client relationships and its reputation for providing high-quality services. If a client's expectations are not met, or if the business is involved in litigation or claims relating to its performance in a particular matter, the group's reputation could be significantly damaged. The group constantly endeavours to maintain its reputation as a provider of client focussed services.

**Operational & IT Risk**

The group's significant reliance on its IT systems, any loss of these facilities or provisions would have a serious impact on the group's operations. Due to the nature of this risk no assurances can be given that all such risks will be adequately covered by its existing systems. The group monitors the resilience of its information systems and other facilities on an ongoing basis, working with external partners to support the delivery of its internal and client facing IT provision.

The Group has in place a business continuity plan that is reviewed as appropriate. The Group, and external partners assisting in the development and implementation of the new system, have performed risk assessment procedures and believe that adequate safeguards are in place to minimise the risk of loss or disruption to the business.

**Cyber Risk**

Due to the nature of the group's business and its reliance on IT platforms, the group is susceptible to cyber risks. This risk continues to increase within the IT services sectors. The risk relates primarily to the malicious hacking of the group's and client data or ransom attacks. The group and Board are aware of the increasing cyber risk and have an ongoing programme to implement controls and procedures to mitigate this risk. The group regularly reviews its security arrangements, including regular third-party penetration tests, in order to identify and subsequently address weaknesses within the current systems.

**Professional liability and uninsured risks**

Like all providers of IT services, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients. The professional indemnity insurance held by the group may not be adequate to indemnify the group for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or are in excess of the insurance coverage could have a materially adverse effect on the group's business and financial condition. The group is advised by market leading insurance brokers and the Directors believe that it holds comprehensive professional liability insurance.

**Employee Risk**

Well trained and experienced employees are essential for the delivery of excellent IT services, and their wellbeing is always of crucial importance to the business. The market for such employee's remains competitive and the loss of or failure to recruit and retain such employees could impact on the group's ability to deliver professional services and financial performance. A failure to implement effective succession planning throughout the business could also adversely affect financial performance. The group has a vision statement which sets out the core values and behaviours expected of staff. Remuneration arrangements include a range of benefits and are considered to be competitive. Employee contracts include appropriate provisions to protect the business where possible. Use of internal communications systems are continuously reviewed and developed to meet staff needs

**Key performance indicators**

The directors consider turnover, recurring revenue, gross profit and cash at bank and in hand to be key to understanding the business as set out above.

**Future developments**

CTS believe that it can strengthen its business by scaling its service offering through further acquisitions of complementary legal professional service businesses. CTS will expand by being well positioned, because of its investor structure and its deep knowledge of the sector, to take advantage of anticipated consolidation within the UK cloud platform services industry.

On behalf of the board

Nigel Wright

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H N Wright

**Director**

Date: 28/09/22

# CTS GROUP HOLDINGS LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

**Principal activities**
The principal activity of the company is that of a holding company.
The principal activity of the group is the provision of information technology services.

**Results and dividenqs**
The results for the year are set out on page 11.

Ordinary dividends of £Nil were paid (2020: £Nil). The directors do not recommend payment of a further dividend.

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

H N Wright
R J W Jones
G M L'Estrange Gillon
M Fowle

**Post reporting date events**
In September 2022, the Group took on additional loan notes of £2.9m from its largest shareholder, Tenzing Private Equity I LP.

In September 2022, the Group acquired 100% of the share capital of Tiger Eye Consulting Limited via available cash. An estimate of the financial impact on the group financial statements cannot be made at this time.

**Auditor**
The auditor, RSM UK Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Strategic report**
The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It does so in respect of principal risks and uncertainties and key performance indicators.

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

On behalf of the board

Nigel Wright
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H N Wright
**Director**

Date. 28/09/22

# CTS GROUP HOLDINGS LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to.

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CTS GROUP HOLDINGS LIMITED

**Opinion**

We have audited the financial statements of CTS Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, thc financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 responsibilites for the audit of the financial statements section of our report. We are independent of the group and 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**

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

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

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

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the 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 directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**The extent to which the audit was considered capable of detecting irregularities, including fraud**
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain *sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the* determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:
- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CTS GROUP HOLDINGS LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, completion of disclosure checklists and review of taxation computations.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to General Data Protection Regulation. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspected correspondence where available.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed for management override of controls included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. Audit procedures performed for revenue recognition included but were not limited to challenging revenue recognition accounting policy and carrying out substantive testing and data analytical procedures.

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Jonathan Lowe*

Jonathan Lowe (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
29/09/22

# CTS GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021<br>£ | 2020<br>£ |
|---|---|---|---|
| Turnover | 3 | 22,366,620 | 10,547,262 |
| Cost of sales | | (10,269,909) | (5,156,140) |
| **Gross profit** | | 12,096,711 | 5,391,122 |
| Administrative expenses - recurring | | (12,533,081) | (6,530,589) |
| Administrative expenses - non-recurring | 4 | (1,547,982) | - |
| Administrative expenses | | (14,081,063) | (6,530,589) |
| Other operating income | 3 | - | 121,804 |
| **Operating loss** | 7 | (1,984,352) | (1,017,663) |
| Interest payable and similar expenses | 9 | (3,055,082) | (1,688,800) |
| **Loss before taxation** | | (5,039,434) | (2,706,463) |
| Tax on loss | 10 | (131,762) | (14,138) |
| **Loss for the financial year** | | (5,171,196) | (2,720,601) |
| **Other comprehensive income net of taxation** | | | |
| Currency translation differences | | (3,325) | (29) |
| **Total comprehensive income for the year** | | (5,174,521) | (2,720,630) |

Loss for the financial year is all attributable to the owners of the parent company.

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

Company Registration No. 11101337

# CTS GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2021

| | Notes | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Goodwill | 11 | | 26,040,049 | | 29,479,967 |
| Other intangible assets | 11 | | 225,521 | | 303,191 |
| Total intangible assets | | | 26,265,570 | | 29,783,158 |
| Tangible assets | 12 | | 3,170,478 | | 2,126,317 |
| | | | 29,436,048 | | 31,909,475 |
| **Current assets** | | | | | |
| Stocks | 15 | 3,846 | | 4,000 | |
| Debtors | 16 | 4,404,344 | | 3,049,623 | |
| Cash at bank and in hand | | 1,984,814 | | 6,488,030 | |
| | | 6,393,004 | | 9,541,653 | |
| **Creditors: amounts falling due within one year** | 17 | (7,648,988) | | (7,589,774) | |
| **Net current (liabilities)/assets** | | | (1,255,984) | | 1,951,879 |
| **Total assets less current liabilities** | | | 28,180,064 | | 33,861,354 |
| **Creditors: amounts falling due after more than one year** | 18 | | (40,732,763) | | (40,142,598) |
| **Provisions for liabilities** | 21 | | (687,396) | | (1,785,376) |
| **Net liabilities** | | | (13,240,095) | | (8,066,620) |
| **Capital and reserves** | | | | | |
| Called up share capital | 24 | | 985 | | 980 |
| Share premium account | 25 | | 98,061 | | 97,020 |
| Profit and loss reserves | 25 | | (13,339,141) | | (8,164,620) |
| **Total equity** | | | (13,240,095) | | (8,066,620) |

The financial statements were approved by the board of directors and authorised for issue on 28/09/22 and are signed on its behalf by:

Nigel Wright

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H N Wright

**Director**

Company Registration No. 11101337

# CTS GROUP HOLDINGS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2021

| | Notes | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | 13 | | 30,001 | | 30,001 |
| **Current assets** | | | | | |
| Debtors | 16 | 68,545 | | 67,791 | |
| **Creditors: amounts falling due within one year** | 17 | (44,071) | | (32,820) | |
| **Net current assets** | | | 24,474 | | 34,971 |
| **Net assets** | | | 54,475 | | 64,972 |
| **Capital and reserves** | | | | | |
| Called up share capital | 24 | | 985 | | 980 |
| Share premium account | 25 | | 98,061 | | 97,020 |
| Profit and loss reserves | 25 | | (44,571) | | (33,028) |
| **Total equity** | | | 54,475 | | 64,972 |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £11,543 (2020 - £7,053 loss).

The financial statements were approved by the board of directors and authorised for issue on 28/09/22 and are signed on its behalf by:

Nigel Wright

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H N Wright

**Director**

# CTS GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | | 950 | 94,050 | (5,443,990) | (5,348,990) |
| **Year ended 31 December 2020:** | | | | | |
| Loss for the year | | - | - | (2,720,601) | (2,720,601) |
| Other comprehensive income net of taxation: | | | | | |
| Currency translation differences | | - | - | (29) | (29) |
| Total comprehensive income for the year | | - | - | (2,720,630) | (2,720,630) |
| Issue of share capital | **24** | 30 | 2,970 | - | 3,000 |
| **Balance at 31 December 2020** | | 980 | 97,020 | (8,164,620) | (8,066,620) |
| **Year ended 31 December 2021:** | | | | | |
| Loss for the year | | - | - | (5,171,196) | (5,171,196) |
| Other comprehensive income net of taxation: | | | | | |
| Currency translation differences | | - | - | (3.325) | (3,325) |
| Total comprehensive income for the year | | - | - | (5,174,521) | (5,174,521) |
| Issue of share capital | **24** | 5 | 1,041 | - | 1,046 |
| **Balance at 31 December 2021** | | 985 | 98,061 | (13,339,141) | (13,240,095) |

# CTS GROUP HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | | 950 | 94,050 | (25,975) | 69,025 |
| **Year ended 31 December 2020:** | | | | | |
| Loss and total comprehensive expense for the year | | - | - | (7,053) | (7,053) |
| Issue of share capital | **24** | 30 | 2,970 | - | 3,000 |
| **Balance at 31 December 2020** | | 980 | 97,020 | (33,028) | 64,972 |
| **Year ended 31 December 2021:** | | | | | |
| Loss and total comprehensive expense for the year | | - | - | (11,543) | (11,543) |
| Issue of share capital | **24** | 5 | 1,041 | - | 1,046 |
| **Balance at 31 December 2021** | | 985 | 98,061 | (44,571) | 54,475 |

# CTS GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | **26** | | 3,054,268 | | 4,099,712 |
| Interest paid | | | (3,055,082) | | (64,173) |
| Income taxes paid | | | (331,729) | | (93,420) |
| **Net cash (outflow)/inflow from operating activities** | | | (332,543) | | 3,942,119 |
| **Investing activities** | | | | | |
| Purchase of businesses | | - | | (13,894,260) | |
| Purchase of intangible assets | | (311,570) | | (159,858) | |
| Purchase of tangible fixed assets | | (761,384) | | (51,151) | |
| Proceeds on disposal of tangible fixed assets | | 740 | | - | |
| **Net cash used in investing activities** | | | (1,072,214) | | (14,105,269) |
| **Financing activities** | | | | | |
| Proceeds from issue of shares | | 1,046 | | 3,000 | |
| Proceeds from borrowings | | 1,500,000 | | - | |
| Repayment of borrowings | | (3,000,000) | | - | |
| Proceeds of new bank loans | | 1,000,000 | | 14,600,000 | |
| Repayment of bank loans | | (450,000) | | - | |
| Payment of finance leases obligations | | (646,365) | | (361,647) | |
| Payment of deferred consideration | | (1,500,000) | | - | |
| **Net cash (used in)/generated from financing activities** | | | (3,095,319) | | 14,241,353 |
| **Net (decrease)/increase in cash and cash equivalents** | | | (4,500,076) | | 4,078,203 |
| Cash and cash equivalents at beginning of year | | | 6,488,030 | | 2,409,854 |
| Effect of foreign exchange rates | | | (3,140) | | (27) |
| **Cash and cash equivalents at end of year** | | | 1,984,814 | | 6,488,030 |

### 1 Accounting policies

**Company information**

CTS Group Holdings Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS.

The group consists of CTS Group Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

**Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008.

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

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

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements.

- *Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures,*
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

**Basis of consolidation**

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

All financial statements are made up to 31 December 2021. Where this is not the case, the financial statements include the appropriate financial results up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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

**1 Accounting policies (Continued)**

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The Directors do not consider that any separably identifiable intangible assets should be recognised on the business combinations as the criteria of FRS102 has not been met.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

**Deferred consideration**
Consideration paid for shares in subsidiaries include deferred consideration. The amount recognised is that which is expected to be paid by the group in the future and a corresponding asset or liability is recognised in creditors.

**Going concern**
At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. At 31 December 2021, the group has net current liabilities of £1,255,984 (2020 £1,951,879 net current assets) and a positive cash position of £1,984,814 (2020: £6,488,030). A net current liability position is due to short debtor payment cycles, whereas creditors include third party debt obligations which are on longer payment cycles. Cash has reduced during year due to deferred consideration payments and repayment of borrowings. The directors expect substantial future growth in annual recurring revenues and profitability driven by new business. The business has high annual recurring revenues and a strong positive underlying EBITDA. The directors expect the business to trade profitability with a positive cashflow thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2021.

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

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

Revenue for the provision of software and IT consultancy services is recognised when it is probable that an economic benefit will flow to the entity and the revenue and costs can be reliably measured. For continuing services, revenue is recognised when the stage of completion can be reliably measured using a percentage of completion method.

Revenue for licenses entered into for a fixed term is recognised in full upon receipt.

**1 Accounting policies (Continued)**

**Research and development expenditure**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

**Intangible fixed assets - goodwill**

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

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

**Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably: the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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

| | |
|---|---|
| Development costs | 3 - 5 years straight line |

**Tangible fixed assets**

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

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

| | |
|---|---|
| Plant and equipment | 3 - 10 years straight line |

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

**Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

**1 Accounting policies (Continued)**

**Impairment of fixed assets**

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

**Financial instruments**

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

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

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

### 1 Accounting policies (Continued)

***Basic financial assets***
Basic financial assets, which include trade and other debtors, amounts due from group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

***Impairment of financial assets***
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

***Derecognition of financial assets***
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

***Basic financial liabilities***
Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies, accruals and obligations due under finance lease, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

***Derecognition of financial liabilities***
Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

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

1 **Accounting policies (Continued)**

**Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

**Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

**1 Accounting policies (Continued)**

**Leases**

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

## 2 Judgements and key sources of estimation uncertainty

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

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

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

***Business combinations***

In the prior year, the group acquired investments in subsidiary undertakings. The directors consider that there were no intangible assets acquired on business combinations that met the recognition criteria being both separable and contractual. Customer relationships acquired on the acquisition of the subsidiaries are therefore included within goodwill in the financial statements. The directors consider the useful life of goodwill arising on acquisition to be ten years.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

***Goodwill and other intangible assets***

The group considers whether goodwill and/or other intangible assets are impaired annually. Where an indication of impairment is identified, the estimation of the recoverable value of the assets is assessed. This requires estimation of the future cash flows from the investments and subsidiaries and also selection of appropriate discount rates in order to calculate the net present value of those future cash flows.

## 3 Turnover and other revenue

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Turnover analysed by class of business** | | |
| Provision of information technology services | 22,366,620 | 10,547,262 |

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Other revenue** | | |
| Coronavirus job retention scheme grant | - | 121,804 |

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Turnover analysed by geographical market** | | |
| United Kingdom | 22,366,620 | 10,547,262 |

### 4 Non-recurring items

The Directors have identified costs of £1,547,982 (2020: £nil) which they consider will not re-occur as synergies are achieved by the combined operation of the businesses. These costs have been disclosed separately as non-recurring to facilitate a better understanding of the underlying cost base.

### 5 Employees

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

| | Group 2021 Number | 2020 Number | Company 2021 Number | 2020 Number |
|---|---|---|---|---|
| Production | 121 | 49 | - | - |
| Sales & marketing | 15 | 8 | - | - |
| Finance & operations | 17 | 5 | - | - |
| Board & directors | 4 | 4 | 4 | 4 |
| Total | 157 | 66 | 4 | 4 |

Their aggregate remuneration comprised:

| | Group 2021 £ | 2020 £ | Company 2021 £ | 2020 £ |
|---|---|---|---|---|
| Wages and salaries | 8,111,579 | 3,310,576 | - | - |
| Social security costs | 886,177 | 382,574 | - | - |
| Pension costs | 146,892 | 57.390 | - | - |
| | 9,144,648 | 3,750,540 | - | - |

### 6 Directors' remuneration

| | 2021 £ | 2020 £ |
|---|---|---|
| Remuneration for qualifying services | 169,500 | 187,500 |

The directors of the group are remunerated via Converge-IT.Net Limited and CTS Group Management Limited.

The number of directors accruing pension benefits is nil (2020: nil).

### 7 Operating loss

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Operating loss for the year is stated after charging/(crediting): | | |
| Coronavirus job retention scheme grant | - | (121,804) |
| Depreciation of owned tangible fixed assets | 402,465 | 125,337 |
| Depreciation of tangible fixed assets held under finance leases | 514,297 | 443,589 |
| Amortisation of intangible assets | 3,829,158 | 2,323,804 |
| Operating lease charges | 106,698 | 126,593 |

### 8 Auditor's remuneration

| | 2021 | 2020 |
|---|---|---|
| Fees payable to the company's auditor and its associates: | £ | £ |
| **For audit services** | | |
| Audit of the financial statements of the group and company | 59,480 | 44,000 |
| **For other services** | | |
| Taxation compliance services | 13,450 | 6,025 |
| All other non-audit services | 17,070 | 11,200 |
| | 30,520 | 17,225 |

### 9 Interest payable and similar expenses

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Interest on bank overdrafts and loans | 590,392 | 77,218 |
| Other interest on financial liabilities | 2,373,222 | 1,548,866 |
| Interest on finance leases and hire purchase contracts | 91,468 | 62,716 |
| Total finance costs | 3,055,082 | 1,688,800 |

## 10 Taxation

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Current tax** | | |
| UK corporation tax on profits for the current period | (22,087) | 35,932 |
| Adjustments in respect of prior periods | (96,035) | 20,913 |
| Total current tax | (118,122) | 56,845 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 194,770 | (10,820) |
| Changes in tax rates | 6,052 | (6,049) |
| Adjustment in respect of prior periods | 49,062 | (25,838) |
| Total deferred tax | 249,884 | (42,707) |
| Total tax charge | 131,762 | 14,138 |

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Loss before taxation | (5,039,434) | (2,706,463) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | (957,492) | (514,228) |
| Tax effect of expenses that are not deductible in determining taxable profit | 381,571 | 539,340 |
| Adjustments in respect of prior years | (46,973) | 20,913 |
| Deferred tax adjustments in respect of prior years | - | (25,838) |
| Fixed asset differences | 575,529 | - |
| Tax rate changes | 52,797 | (6,049) |
| Losses carried back | 126,330 | - |
| Taxation charge | 131,762 | 14,138 |

## 11 Intangible fixed assets

| Group | Goodwill | Development costs | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| At 1 January 2021 | 35,569,182 | 510,542 | 36,079,724 |
| Additions - internally developed | - | 87,000 | 87,000 |
| Additions - separately acquired | 130,000 | 94,570 | 224,570 |
| At 31 December 2021 | 35,699,182 | 692,112 | 36,391,294 |
| **Amortisation and impairment** | | | |
| At 1 January 2021 | 6,089,215 | 207,351 | 6,296,566 |
| Amortisation charged for the year | 3,569,918 | 259,240 | 3,829,158 |
| At 31 December 2021 | 9,659,133 | 466,591 | 10,125,724 |
| **Carrying amount** | | | |
| At 31 December 2021 | 26,040,049 | 225,521 | 26,265,570 |
| At 31 December 2020 | 29,479,967 | 303,191 | 29,783,158 |

The company had no intangible fixed assets at 31 December 2021 or 31 December 2020.

During the current year, additional consideration of £130,000 was paid in respect of the acquisition of it's subsidiary, Sprout Technologies Limited, which has been recognised as an addition to Goodwill.

### 12 Tangible fixed assets

| Group | Plant and equipment £ |
|---|---|
| **Cost** | |
| At 1 January 2021 | 4,054,755 |
| Additions | 1,961,848 |
| Disposals | (14,582) |
| Exchange adjustments | (107) |
| At 31 December 2021 | 6,001,914 |
| **Depreciation and impairment** | |
| At 1 January 2021 | 1,928,438 |
| Depreciation charged in the year | 916,762 |
| Eliminated in respect of disposals | (13,842) |
| Exchange adjustments | 78 |
| At 31 December 2021 | 2,831,436 |
| **Carrying amount** | |
| At 31 December 2021 | 3,170,478 |
| At 31 December 2020 | 2,126,317 |

The company had no tangible fixed assets at 31 December 2021 or 31 December 2020.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases

| | Group 2021 £ | 2020 £ | Company 2021 £ | 2020 £ |
|---|---|---|---|---|
| Plant and equipment | 1.458,965 | 1,616,982 | - | - |

### 13 Fixed asset investments

| | Notes | Group 2021 £ | 2020 £ | Company 2021 £ | 2020 £ |
|---|---|---|---|---|---|
| Investments in subsidiaries | 14 | - | - | 30,001 | 30,001 |

## 13 Fixed asset investments (Continued)

**Movements in fixed asset investments**

| Company | Shares in group undertakings |
|---|---|
| | £ |
| **Cost or valuation** | |
| At 1 January 2021 and 31 December 2021 | 30,001 |
| **Carrying amount** | |
| At 31 December 2021 | 30,001 |
| At 31 December 2020 | 30,001 |

## 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct | % Held Indirect |
|---|---|---|---|---|---|
| CTS Group Midco Limited | 1 | Holding company | Ordinary | 100.00 | - |
| CTS Group Management Limited | 1 | Holding company | Ordinary | - | 100.00 |
| Converge-IT.Net Limited | 1 | IT services | Ordinary and deferred | - | 100.00 |
| City Business Solutions UK Ltd | 1 | IT Services | Ordinary | - | 100.00 |
| Sprout Technologies Limited | 1 | IT Services | Ordinary | - | 100.00 |
| Sprout Technologies NZ Limited | 2 | IT Services | Ordinary | - | 100.00 |

1. Registered office: 7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS
2. Registered office: Grace Team Accounting Limited, 55 Eight Avenue, Tauranga, 3110, New Zealand

## 15 Stocks

| | Group 2021 | Group 2020 | Company 2021 | Company 2020 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Finished goods and goods for resale | 3,846 | 4,000 | - | - |

## 16 Debtors

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| **Amounts falling due within one year:** | £ | £ | £ | £ |
| Trade debtors | 1,721,468 | 1,609,970 | - | - |
| Corporation tax recoverable | 301,906 | 29,701 | - | - |
| Amounts owed by group undertakings | - | - | 67,499 | 64,791 |
| Other debtors | 56,676 | 211,444 | 1,046 | 3,000 |
| Prepayments and accrued income | 1,857,879 | 883,229 | - | - |
| | 3,937,929 | 2,734,344 | 68,545 | 67,791 |
| Deferred tax asset (note 22) | 466,415 | 315,279 | - | - |
| | 4,404,344 | 3,049,623 | 68,545 | 67,791 |

During the year, an impairment loss of £31,118 (2020: £68,600) was recognised in respect of trade debtors.

## 17 Creditors: amounts falling due within one year

| | Notes | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| Bank loans | 19 | 1,676,911 | 453,150 | - | - |
| Obligations under finance leases | 20 | 679,771 | 519,526 | - | - |
| Deferred consideration | | - | 2,154,000 | - | - |
| Trade creditors | | 1,737,906 | 983,688 | - | - |
| Amounts owed to group undertakings | | - | - | 44,070 | 32,819 |
| Corporation tax payable | | 131,762 | 310,408 | - | - |
| Other taxation and social security | | 1,008,621 | 1,369,603 | - | - |
| Other creditors | | 24,465 | 21,396 | - | - |
| Accruals and deferred income | | 2,389,552 | 1,778,003 | 1 | 1 |
| | | 7,648,988 | 7,589,774 | 44,071 | 32,820 |

Obligations under finance leases of £679,771 (2020: £519,526) are secured by fixed charges over the assets to which they relate.

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

| | Notes | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| Bank loans and overdrafts | 19 | 13,545,700 | 14,222,611 | - | - |
| Obligations under finance leases | 20 | 1,630,100 | 1,236,246 | - | - |
| Other borrowings | 19 | 18,410,000 | 19,910,000 | - | - |
| Other creditors | | 7,146,963 | 4,773,741 | - | - |
| | | 40,732,763 | 40,142,598 | - | - |

**18 Creditors: amounts falling due after more than one year (Continued)**

Obligations under finance leases of £1,630,100 (2020: £1,236,246) are secured by fixed charges over the assets to which they relate.

Amounts included above which fall due after five years are as follows.

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Payable by instalments | - | 10,500,000 | - | - |

**19 Borrowings**

| | Group 2021 | 2020 | Company 2021 | 2020 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Bank loans | 15,222,611 | 14,675,761 | - | - |
| Other borrowings | 18,410,000 | 19,910,000 | - | - |
| | 33,632,611 | 34,585,761 | - | - |
| Payable within one year | 1,676,911 | 453,150 | - | - |
| Payable after one year | 31,955,700 | 34,132,611 | - | - |

Amounts included in other borrowings include loan note instruments of £12,440,000 (2020: £13,940,000) and £5,970,000 (2020: £5,970,000). The loan notes are repayable in 2024 and incur compounding interest at a fixed rate of 8% per annum. Interest is disclosed within other creditors due after one year. An additional £1,500,000 loan note balance was drawn down in the year (2020: nil). An early repayment of £3,000,000 has been made in the year (2020: nil). The loan notes are secured by a fixed and floating charge over all the current and future assets of the group.

Bank loans of £14,550,000 (2020: £15,000,000) are repayable by repayments every six months with a final lump sum repayment on 24 November 2026. Bank loans bear a variable interest rate of no more than 3.5% above SONIA. 3.5% represents the maximum rate payable based upon an average leverage calculation.

During the year a further £1,000,000 was drawn down as part of the revolving facility on the aforementioned loan. The amount is on a rolling monthly agreement and therefore the balance is included in creditors due within one year. The revolving facility bears a variable interest rate of no more than 3.0% above SONIA. 3.0% represents the maximum rate payable based upon an average leverage calculation.

Interest charges reported in the Profit and Loss Account were based on a variable interest rate of no more than 3.5% / 3.0% + LIBOR until 30 November 2021 when the company converted the bank loan interest base to SONIA. The bank loans are secured by a fixed and floating charge over current and future assets of the company and fellow group companies via a cross-company guarantee. Bank loans are stated net of debt issue costs of £327,389 (2020: £392,477).

### 20 Finance lease obligations

| | Group 2021 £ | 2020 £ | Company 2021 £ | 2020 £ |
|---|---|---|---|---|
| Future minimum lease payments due under finance leases: | | | | |
| Less than one year | 679,771 | 519,526 | - | - |
| Between one and five years | 1,630,100 | 1,236,246 | - | - |
| | 2,309,871 | 1,755,772 | - | - |

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is five years. All leases are on a fixed repayment basis and on arrangements have been entered into for contingent rental payments.

### 21 Provisions for liabilities

| | Notes | Group 2021 £ | 2020 £ | Company 2021 £ | 2020 £ |
|---|---|---|---|---|---|
| Contingent consideration | | - | 1,500,000 | - | - |
| Deferred tax liabilities | 22 | 687,396 | 285,376 | - | - |
| | | 687,396 | 1,785,376 | - | - |

Movements on provisions apart from deferred tax liabilities:

| Group | Contingent consideration £ |
|---|---|
| At 1 January 2021 | 1,500,000 |
| Utilisation of provision | (1,500,000) |
| At 31 December 2021 | - |

The prior year provision for contingent consideration of £1,500,000 relates to consideration payable on the acquisition of Sprout Technologies Limited and its subsidiary, Sprout Technologies NZ Limited, as measured at fair value on the acquisition date. This consideration was contingent on the performance of the newly acquired subsidiaries in its year of trade. This consideration was paid in full in November 2021.

## 22 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are

| Group | Liabilities 2021 £ | Liabilities 2020 £ | Assets 2021 £ | Assets 2020 £ |
|---|---|---|---|---|
| Accelerated capital allowances | 687,396 | 285,376 | 283,553 | 270,091 |
| Tax losses | - | - | 182,862 | 45,188 |
| | 687,396 | 285,376 | 466,415 | 315,279 |

The company has no deferred tax assets or liabilities.

| Movements in the year: | Group 2021 £ | Company 2021 £ |
|---|---|---|
| (Asset) at 1 January 2021 | (29,903) | - |
| Charge to profit or loss | 250,884 | - |
| Liability at 31 December 2021 | 220,981 | - |

## 23 Retirement benefit schemes

| Defined contribution schemes | 2021 £ | 2020 £ |
|---|---|---|
| Charge to profit or loss in respect of defined contribution schemes | 146,892 | 57,390 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At the year end, pension contributions of £16,253 (2020: £6,982) were owed to the fund.

## 24 Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| Ordinary share capital | 2021 Number | 2020 Number | 2021 £ | 2020 £ |
| Issued and fully paid | | | | |
| Ordinary A shares of 1p each | 60,000 | 60,000 | 600 | 600 |
| Ordinary B shares of 1p each | 25,000 | 25,000 | 250 | 250 |
| Ordinary C shares of 1p each | 13,500 | 13,000 | 135 | 130 |
| | 98,500 | 98,000 | 985 | 980 |

**24 Share capital (Continued)**

The company's Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

**25 Reserves**

Reserves of the group represent the following:

**Profit and loss reserve**
Cumulative profit and loss net of distributions to the owners.

**Share premium**
Consideration received for shares issued above their nominal value net of transaction costs.

**26 Cash generated from group operations**

| | 2021 £ | 2020 £ |
|---|---|---|
| Loss for the year after tax | (5,171,196) | (2,720,601) |
| **Adjustments for:** | | |
| Taxation charged | 131,762 | 14,138 |
| Finance costs | 3,055,082 | 1,688,800 |
| Amortisation and impairment of intangible assets | 3,829,158 | 2,323,804 |
| Depreciation and impairment of tangible fixed assets | 916,762 | 568,926 |
| **Movements in working capital:** | | |
| Decrease in stocks | 154 | - |
| (Increase)/decrease in debtors | (934,530) | 1,155,158 |
| Increase in creditors | 1,227,076 | 1,069,487 |
| **Cash generated from operations** | 3,054,268 | 4,099,712 |

**27 Analysis of changes in net debt - group**

| | 1 January 2021 £ | Cash flows £ | New finance leases £ | Exchange rate movements £ | 31 December 2021 £ |
|---|---|---|---|---|---|
| Cash at bank and in hand | 6,488,030 | (4,500,076) | - | (3,140) | 1,984,814 |
| Borrowings excluding overdrafts | (34,585,761) | 953,150 | - | - | (33,632,611) |
| Obligations under finance leases | (1,755,772) | 646,365 | (1,200,464) | - | (2,309,871) |
| | (29,853,503) | (2,900,561) | (1,200,464) | (3,140) | (33,957,668) |

### 28 Financial commitments, guarantees and contingent liabilities

Certain loan notes of £18,410,000 (2020: £19.910,000) are held by a company within the group and are secured by a fixed and floating charge over all current and future assets of the group, via a cross-company guarantee. The loan notes are repayable in 2024 and incur interest at a fixed rate of 8% per annum.

Bank loans of £14,550,000 (2020: £15,000,000) held by a company within the group are repayable by repayments every six months with a final lump sum repayment on 24 November 2026. Bank loans bear a variable interest rate of no more than 3.5% above SONIA. 3.5% represents the maximum rate payable based upon an average leverage calculation.

Bank loans of £1,000,000 (2020: nil) held by a company within the group are are part of the revolving facility on the aforementioned loan. The amount is on a rolling monthly agreement. The revolving facility bears a variable interest rate of no more than 3.0% above SONIA. 3.0% represents the maximum rate payable based upon an average leverage calculation.

Total bank loans of £15,550,000 (2020: £15.000.000) are secured by a fixed and floating charge over all current and future assets of the group, via a cross-company guarantee.

Sprout Technologies Limited and City Business Solutions UK Limited, are subsidiary undertakings, which have applied the exemption from audit under Section 479A of the Companies Act. As such, the parent undertaking guarantees all outstanding liabilities to which the companies are subject at the end of the financial year. until they are settled in full. The guarantee is granted to any person to whom the subsidiaries are liable in respect of those liabilities.

### 29 Operating lease commitments

**Lessee**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Within one year | 96,000 | 313,049 | - | - |
| Between one and five years | 144,000 | 276,175 | - | - |
| | 240,000 | 589,224 | - | - |

### 30 Events after the reporting date

In September 2022. the Group took on additional loan notes of £2.9m from its largest shareholder, Tenzing Private Equity I LP.

In September 2022, the Group acquired 100% of the share capital of Tiger Eye Consulting Limited via available cash. An estimate of the financial impact on the group financial statements cannot be made at this time.

### 31 Related party transactions

**Remuneration of key management personnel**

The remuneration of key management personnel of the group. is as follows.

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Aggregate compensation | 817,736 | 732,440 |

'A' Loan notes of £12,440,000 (2020: £13,940,000) held by the controlling party of the group and 'B' loan notes outstanding of £5,970,000 (2020. £5,970,000) held by members of key management are outstanding at the year end. The loan notes incur compounding interest at a fixed rate of 8% per annum and are secured by a fixed and floating charge over all the assets of the group. The loan notes are repayable in 2024. Loan note interest charged to the Profit and Loss Account amounted to £2,373,222 (2020: £1,548,866). Loan note accrued interest outstanding at the year end of £7,146.962 (2020: £4,773,740) is disclosed within other creditors.

At the year end, a balance of £Nil (2020: £3.000) was owing to the group from the Directors due to shares issued during the year.

During the year, the group rented a property from a company related by common key management. Rental charges amounted to £103,292 (2020: £96,000) The balance outstanding at the year end was £Nil (2020: £Nil).

During the year, the group was charged £50,000 (2020: £50,000) for management charges to another company outside of the group who has a common director. The balance outstanding at the year end was £Nil (2020: £Nil).

During the year, the group received £18,393 (2020. £Nil) for the provision of services to another company outside the group who has a common director. The balance outstanding at the year end was £Nil (2020: £Nil).

### 32 Controlling party

The ultimate controlling party is Tenzing PE I GP LLP. through its ownership of CTS Group Holdings Limited.