

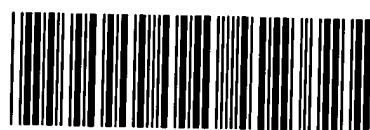
**PROFESSIONAL COST MANAGEMENT GROUP  
LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**Registered No. 06511368**

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**PROFESSIONAL COST MANAGEMENT GROUP LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	Mark Dickinson Paul Connor
<b>Registered number</b>	06511368
<b>Registered office</b>	29 Progress Park Orders Lane Kirkham Preston PR4 2TZ
<b>Independent auditors</b>	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

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# **PROFESSIONAL COST MANAGEMENT GROUP LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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

### **Principal activities and results**

The company's principal activity during the year was that of energy cost auditing and optimisation services.

The company is reporting a profit for the year of £1,282,626 (2018: loss of £895,385).

During the year, the directors recommended the payment of dividends totalling £nil (2018: £nil).

### **Directors' responsibilities statement**

The directors are responsible for preparing 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 laws including FRS 101 "Reduced disclosure framework"). 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 and profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

### **Directors**

The directors who served during the year were:

Mark Dickinson  
Paul Connor

### **Qualifying third party indemnity provisions**

At the year end, the directors had third party indemnity provisions in place.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

### Going concern

The continuity of the company is dependent upon the continuing support of its ultimate parent company, Inspired Energy Plc.

For the purposes of assessing the appropriateness of preparing the financial statements on a going concern basis, the Directors have considered the current cash position, available banking facilities and the base financial forecast of the Group through to 31 December 2022, including the ability to adhere to banking covenants.

The Directors believe the Group has a strong balance sheet position, having refinanced its banking facilities in October 2019 through to October 2023, with an option to extend to October 2024. Furthermore, in July 2020, the Group completed a fundraise of £30.0m (before expenses) through an oversubscribed placing of 200,000,000 new ordinary shares, with a further £1.3m via an open offer to qualifying shareholders.

As a result, at 31 August 2020 the Group's net debt was £12.5m, reducing from £33.5m at 30 June 2020 (£33.4m at 31 December 2019). In addition to cash and cash equivalents of £33.0m on hand as at 31 August 2020, approximately £14.0m of the Group's £60.0m Revolving Credit Facility is undrawn with an additional £25.0m accordion option available, subject to covenant compliance.

The uncertainty as to the future impact on the Group of the recent COVID-19 pandemic has been considered as part of the consideration of the going concern basis of preparation. As a Group, revenue is earned based on providing advice and expertise in commercial utility consumption in the UK and ROI which is a fundamental input into any economy. Therefore, there will naturally be a reduction in utilities consumption and demand for associated consultancy and revenues in the UK and ROI commercial markets, as a result of the on-going Covid19 pandemic.

Clearly, the ultimate impact, and duration of the COVID-19 pandemic is difficult to predict and as such, we have considered scenarios when stress testing the downside scenario forecasts for the period to December 2022. Our stress testing indicates that to breach the original banking covenants set at the point of refinancing in October 2019, the Group would have to miss forecast EBITDA per the downside scenario by more than 40% in Sept 2020, increasing to 90% in December 2022.

The Directors note that the Group traded comfortably ahead of the downside scenario up to Q4 2020.

Therefore, despite the ongoing uncertainty created by the pandemic, the Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of the impact of the pandemic on YTD 2020 trading, reasonably possible changes in trading performances in the next 12 months and considering the available liquidity, including banking facilities, and the increase in adjusted leverage covenant, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of these financial statements.

The Group is therefore able to support the company for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

## PROFESSIONAL COST MANAGEMENT GROUP LIMITED

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Post balance sheet events

The impact of COVID-19 post 31 December 2019 on the operations and measures national government have put in place to contain the virus has negatively affected the company's results in the reporting period after the balance sheet date.

This has led to the temporary closure of the company's office on the back of national lockdown measures on 27th March 2020, 5th November 2020 and 4th January 2021 with employees working remotely from home as per the guidelines provided by the national government. The company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our employees (such as social distancing and working from home).

This is not considered to be an adjusting post balance sheet event.

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



.....  
**Paul Connor**  
Director

Date: 29/1/2021

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROFESSIONAL COST MANAGEMENT GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

### Opinion

We have audited the financial statements of Professional Cost Management Group Limited (the 'company') for the year ended 31 December 2019, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### Basis for opinion

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

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

### 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROFESSIONAL COST MANAGEMENT GROUP LIMITED (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

### Matter on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors report and from the requirement to prepare a strategic report.



## PROFESSIONAL COST MANAGEMENT GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 1, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **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: [www.frc.org.uk/auditorsresponsibilities](http://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.

Grant Thornton UK LLP

#### **Michael Lowe**

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

29/1/2021

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	3	2,430,001	1,835,412
Cost of sales		7,845	(86,017)
<b>Gross profit</b>		<b>2,437,846</b>	<b>1,749,395</b>
Administrative expenses		(1,339,663)	(2,643,925)
<b>Operating profit/(loss)</b>	4	<b>1,098,183</b>	<b>(894,530)</b>
Interest payable and expenses		(2,825)	(2,328)
<b>Profit/(loss) before tax</b>		<b>1,095,358</b>	<b>(896,858)</b>
Tax on profit/(loss)	7	187,268	1,473
<b>Profit/(loss) after tax</b>		<b><u>1,282,626</u></b>	<b><u>(895,385)</u></b>

The notes on pages 10 to 22 form part of these financial statements.

There were no recognised gains or losses other than the profit in either the current or previous financial year. Accordingly a Statement of Comprehensive Income has not been prepared.

All turnover and operating profits are derived from continuing operations.

**PROFESSIONAL COST  
MANAGEMENT GROUP LIMITED**


**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	8	5,600	12,687
Right of use assets	9	6,034	-
		<u>11,634</u>	<u>12,687</u>
<b>Non-current assets</b>			
<b>Current assets</b>			
Debtors	10	2,376,333	803,844
Cash at bank and in hand		73,770	123,093
		<u>2,450,103</u>	<u>926,937</u>
Creditors: amounts falling due within one year	11	(594,043)	(360,590)
Lease liabilities	12	(6,034)	-
		<u>1,850,026</u>	<u>566,347</u>
<b>Net current assets</b>			
		<u>1,861,660</u>	<u>579,034</u>
<b>Total assets less current liabilities</b>			
		<u>1,861,660</u>	<u>579,034</u>
<b>Net assets</b>			
		<u>1,861,660</u>	<u>579,034</u>
<b>Capital and reserves</b>			
Called up share capital	14	10,804,202	10,804,202
Other reserve	15	760,937	760,937
Profit and loss account	15	(9,703,479)	(10,986,105)
		<u>1,861,660</u>	<u>579,034</u>

The notes on pages 10 to 22 form part of these financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime, section 415A of the Companies Act 2006.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
.....  
**Paul Connor**  
Director

Date: 29/1/2021

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Share capital £	Other reserves £	Profit and loss account £	Total shareholder equity £
<b>Balance at 1 January 2018</b>	10,804,202	-	(10,090,720)	713,482
Loss and total comprehensive income for the year	-	-	(895,385)	(895,385)
Other reserves movement	-	760,937	-	760,937
<b>Balance at 31 December 2018</b>	<b>10,804,202</b>	<b>760,937</b>	<b>(10,986,105)</b>	<b>579,034</b>
Profit and total comprehensive income for the year	-	-	1,282,626	1,282,626
<b>Balance at 31 December 2019</b>	<b>10,804,202</b>	<b>760,937</b>	<b>(9,703,479)</b>	<b>1,861,660</b>

The notes on pages 10 to 22 form part of these financial statements.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1. Company information

The company's principal activity during the period was that of energy cost auditing and optimisation services. Professional Cost Management Group Limited is incorporated and domiciled in England and Wales under the Companies Act. The address of the registered office is stated on the Company Information page.

### 2. Accounting policies

These Financial Statements were prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The Company's Financial Statements are presented in Sterling.

These Financial Statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The Company financial statements have been prepared in accordance with FRS 101.

#### 2.1 Basis of preparation of financial statements

The accounting policies which follow set out those policies which apply in preparing the Financial Statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of "IFRS 2 Share based payment", as the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment";
- (c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 "Presentation of Financial Statements" and the requirements of IAS 7 "Statement of Cash Flows";
- (d) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- (e) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures";
- (f) the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) key management personnel disclosures;
- (h) financial instrument disclosures, including:
  - a. categories of financial instruments,
  - b. items of income, expenses, gains or losses relating to financial instruments, and
  - c. exposure to and management of financial risk.

#### 2.2 Going concern

The continuity of the company is dependent upon the continuing support of its ultimate parent company, Inspired Energy Plc.

For the purposes of assessing the appropriateness of preparing the financial statements on a going concern basis, the Directors have considered the current cash position, available banking facilities and the base financial forecast of the Group through to 31 December 2022, including the ability to adhere to banking covenants.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2. Accounting policies (continued)

#### 2.2 Going concern (continued)

The Directors believe the Group has a strong balance sheet position, having refinanced its banking facilities in October 2019 through to October 2023, with an option to extend to October 2024. Furthermore, in July 2020, the Group completed a fundraise of £30.0m (before expenses) through an oversubscribed placing of 200,000,000 new ordinary shares, with a further £1.3m via an open offer to qualifying shareholders.

As a result, at 31 August 2020 the Group's net debt was £12.5m, reducing from £33.5m at 30 June 2020 (£33.4m at 31 December 2019). In addition to cash and cash equivalents of £33.0m on hand as at 31 August 2020, approximately £14.0m of the Group's £60.0m Revolving Credit Facility is undrawn with an additional £25.0m accordion option available, subject to covenant compliance.

The uncertainty as to the future impact on the Group of the recent COVID-19 pandemic has been considered as part of the consideration of the going concern basis of preparation. As a Group, revenue is earned based on providing advice and expertise in commercial utility consumption in the UK and ROI which is a fundamental input into any economy. Therefore, there will naturally be a reduction in utilities consumption and demand for associated consultancy and revenues in the UK and ROI commercial markets, as a result of the on-going Covid19 pandemic.

Clearly, the ultimate impact, and duration of the COVID-19 pandemic is difficult to predict and as such, we have considered scenarios when stress testing the downside scenario forecasts for the period to December 2022.

Our stress testing indicates that to breach the original banking covenants set at the point of refinancing in October 2019, the Group would have to miss forecast EBITDA per the downside scenario by more than 40% in Sept 2020, increasing to 90% in December 2022.

The Directors note that the Group traded comfortably ahead of the downside scenario up to Q4 2020.

Therefore, despite the ongoing uncertainty created by the pandemic, the Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of the impact of the pandemic on YTD 2020 trading, reasonably possible changes in trading performances in the next 12 months and considering the available liquidity, including banking facilities, and the increase in adjusted leverage covenant, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of these financial statements.

The Group is therefore able to support the company for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 2.3 Parent Company

The Company is a wholly owned subsidiary of Inspired Energy Plc which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Inspired Energy Plc for the year ended 31 December 2019. These accounts are available from Companies House.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2. Accounting policies (continued)

#### 2.4 Revenue recognition

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers.

Optimisation revenue encompasses separate works carried out for customers, including, but not limited to, energy audits, infrastructure and metering services and legislative compliance. Each assignment is a separate engagement and each engagement is a separate performance obligations.

Revenue is generated by way of fees received directly from customers and recognised as the service is provided on an input basis.

#### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	- 33% straight line
Motor vehicles	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2. Accounting policies (continued)

#### 2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.7 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

#### 2.8 Financial instruments

##### *Financial assets*

Basic financial assets, including trade and other receivables, cash and bank balances and amounts due from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

##### *Financial liabilities*

Basic financial liabilities, including trade and other payables and amounts due to fellow group companies 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 method.



# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 2. Accounting policies (continued)

#### 2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.10 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.11 Operating lease commitments

Rentals applicable to leases where the underlying asset is low value, lease payments are recognised as an expense on a straight-line basis over the lease term. This is only relevant to the prior period due to the first time adoption of IFRS 16 on 1 January 2019.

#### 2.12 IFRS 16 leases

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For the Company the first reporting period is the year ending 31 December 2019.

On the adoption of IFRS 16, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. The right of use asset is depreciated on a straight-line basis over the life of the lease. Interest is recognised on the lease liability.

On a cash flow basis, the impact of adoption and transition to IFRS 16 is £nil.

##### *Transition*

The Company has adopted the modified retrospective transition approach where the initial right of asset values is equal to the present value of the future lease payments at the date of transition being 1 January 2019. The Company has also applied the recognition exemption for short term leases and leases of low value items.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3%.

##### *Impact on the financial statements*

On the transition date, being 1 January 2019, a right of use asset of £30,865 was adjusted for with a corresponding lease liability. Adoption of IFRS 16 has not led to any adjustments to opening reserves as the impact is considered to be immaterial.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) and the lease liabilities recognised at 1 January 2019:

	2019 £
Operating lease commitments disclosed as at 31 December 2018	37,231
Operating lease commitments discounted using the leases incremental borrowing rate at the date of initial application	(4,953)
Adjustments as a result of different treatment of extension and termination options	(1,413)
	<u>30,865</u>

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 2. Accounting policies (continued)

#### 2.13 Leases

##### *Initial and subsequent measurement of the right of use asset*

A right of use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs obtaining the lease and any lease payments made at or before the lease asset is available for use by the Group. The right of use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy adopted is as follows:

Motor vehicles – On a straight-line basis over the shorter of the lease term and the useful life of 3 to 5 years

##### *Leases – Company as lessee*

When the Company enters a contract giving them right to use an asset for a period of time in exchange for consideration a right of use asset and corresponding lease liability is recognised unless the lease qualifies as:

- Short term leases – where the lease term is twelve months or less and lease does not contain an option to purchase the leased asset lease payments are recognised as an expense on a straight-line basis over the lease term; or
- Low value assets – for leases where the underlying asset is low value, lease payments are recognised as an expense on a straight-line basis over the lease term.

##### *Initial and subsequent measurement of the lease liability*

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease or the incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined.

The incremental borrowing rate is the rate of interest the Company would have to pay to borrow over a similar term to fund the asset.

The lease term is the non-cancellable period of the lease plus extension periods that the Company is reasonably certain to exercise.

Interest on the lease liability is recognised in the Statement of Comprehensive Income.

The lease liability is adjusted for changes that alter the lease term of the lease payments. The change in amounts payable are recognised when the changes take effect and are discounted at the original discount rate.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 2.15 Recently issued accounting pronouncements

The following new accounting standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2020. The company has not early adopted them:

- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018) adding back exceptional items.
- Amendments to IFRS 9, IAS 39 and IFRS: Interest Rate Benchmark Reform (issued on 26 September 2019).
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)

### 2.16 Newly applicable accounting standards

*IFRS 16 Leases (effective 1 January 2019)*

The Company has adopted IFRS 16 for the first time for the year commencing 1 January 2019.

Further information can be found in note 2.12.

## PROFESSIONAL COST MANAGEMENT GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2.17 Significant judgement in applying accounting policies and key estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### *Estimation uncertainty*

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain equipment.

##### *Revenue recognition*

When assessing the measurement of progress towards the complete satisfaction of the performance obligation the directors deemed the input method best depicted the transfer of services to the customer. The directors judge the recognition of 10% of the expected full contract value at the time the contract starts was suitable recognition for the proportion of time spent on the contract relative to the total expected inputs to the complete satisfaction of the performance obligation

The timing of satisfaction of this performance obligation is considered to be a significant judgement.

#### 3. Turnover

All turnover arose within the United Kingdom and was derived from the company's principal activity.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 4. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets:		
- Owned by the company	7,086	15,471
- Right of use assets	24,831	-
Operating lease rentals		
- Other operating leases	-	47,149

During the period, no directors received any emoluments (2018: £nil) from the company. Directors' emoluments have been borne by the parent company, Inspired Energy Plc.

### 5. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	21,338	7,237
Fees payable to auditor in respect of tax compliance services	1,500	1,000

### 6. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	1,169,612	1,502,466
Social security	126,438	166,701
	<u>1,296,050</u>	<u>1,669,167</u>

The average monthly number of employees, including directors, during the year was as follows:

Administration	<u>26</u>	<u>26</u>
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# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

<b>7. Taxation</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Analysis of tax charge in the year</b>		
<b>Deferred tax</b> (see note 13)		
Origination and reversal of timing differences	(136,974)	(1,784)
Adjustments in respect of prior periods	(50,294)	311
<b>Tax on profit/(loss) on ordinary activities</b>	<b>(187,268)</b>	<b>(1,473)</b>
<b>Factors affecting tax credit for the year</b>		

The tax assessed for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before tax	<b>1,095,358</b>	(896,858)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	<b>208,118</b>	(170,403)
Effects of:		
Expenses not deductible for tax purposes	<b>28</b>	81,399
Adjustments to tax charge in respect of prior periods – deferred tax	<b>(50,294)</b>	-
Group relief	-	26,937
Adjust closing deferred tax	<b>163,676</b>	179,669
Adjust opening deferred tax	<b>(185,586)</b>	-
Deferred tax not recognized	<b>(323,210)</b>	(119,075)
<b>Current tax credit for the year</b> (see note above)	<b>(187,268)</b>	<b>(1,473)</b>

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Tangible fixed assets

	Motor vehicles £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2019	14,519	291,806	306,325
Disposals	(14,519)	-	(14,519)
<b>At 31 December 2019</b>	<b>-</b>	<b>291,806</b>	<b>291,806</b>
<b>Depreciation</b>			
At 1 January 2019	14,518	279,120	293,638
Charge for the year on owned assets	-	7,086	7,086
Disposals	(14,518)	-	(14,518)
<b>At 31 December 2019</b>	<b>-</b>	<b>286,206</b>	<b>286,206</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>-</b>	<b>5,600</b>	<b>5,600</b>
At 31 December 2018	1	12,686	12,687

### 9. Right of use assets

	Motor vehicles £	Total £
<b>Cost or valuation</b>		
At 1 January 2019	-	-
On adoption of IFRS 16	30,865	30,865
<b>At 31 December 2019</b>	<b>30,865</b>	<b>30,865</b>
<b>Depreciation</b>		
At 1 January 2019	-	-
Charge for the year	24,831	24,831
<b>At 31 December 2019</b>	<b>24,831</b>	<b>24,831</b>
<b>Net book value</b>		
<b>At 31 December 2019</b>	<b>6,034</b>	<b>6,034</b>
At 31 December 2018	-	-

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 10. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	847,666	246,776
Amounts owed by group undertakings	704,970	482,551
Other debtors	-	11,758
Prepayments and accrued income	632,007	58,337
Deferred taxation	191,690	4,422
	<u>2,376,333</u>	<u>803,844</u>

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

### 11. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	9,325	88,330
Amounts owed to group undertakings	405,230	-
Other taxation and social security	104,851	92,124
Other creditors	8,636	8,636
Accruals and deferred income	66,001	171,500
	<u>594,043</u>	<u>360,590</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The assets of the company are held as security on the loan held by the ultimate parent company - Inspired Energy Plc.

### 12. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows following the adoption of IFRS 16 in the year

	2019 £	2018 £
<b>Current liabilities</b>		
Lease liability – motor vehicles	6,034	-
	<u>6,034</u>	<u>-</u>

The lease liabilities are secured by the related underlying assets. The lease liability for motor vehicles covers 3 vehicles as at 31 December 2019 and leases are typically two or three years then they will terminate.



# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 13. Deferred taxation

	2019 £	2018 £
At beginning of year	(4,422)	(2,949)
Charged to profit or loss	(187,268)	(1,473)
<b>At end of year</b>	<b><u>(191,690)</u></b>	<b><u>(4,422)</u></b>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Losses and other deductions	(186,733)	-
Fixed asset timing differences	(4,957)	(4,422)
	<b><u>(191,690)</u></b>	<b><u>(4,422)</u></b>

The deferred tax asset of £191,690 is held within debtors (note 10).

### 14. Share capital

	2019 £	2018 £
10,804,202 Ordinary shares of £1 each	<b><u>10,804,202</u></b>	<b><u>10,804,202</u></b>

### 15. Reserves

Share Capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all the current and prior period retained profits and losses.

Other reserve – reserve to hold write off of legacy intercompany balance.

# PROFESSIONAL COST MANAGEMENT GROUP LIMITED

## SCHEDULE TO THE DETAILED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	-	28,531
Later than 1 year and not later than 5 years	-	8,700
	<u>-</u>	<u>37,231</u>

Following the adoption of IFRS 16 during the year, operating lease commitments for motor vehicles have been recognised as lease liabilities with corresponding right of use assets.

### 17. Related party transactions

The company has taken advantage of the exemption in FRS 101 and has not disclosed transactions with group undertakings.

There were no other related party transactions in the current or previous financial year.

### 18. Ultimate parent undertaking and controlling party

Inspired Energy PLC owns 100% of the issued share capital of Professional Cost Management Group Limited.

The directors consider the ultimate parent company and controlling party to be Inspired Energy Plc, a company registered in England and Wales, which owns 100% of the issued share capital of Professional Cost Management Group Limited. The largest and smallest group for which consolidated accounts are prepared is Inspired Energy Plc.

Copies of the group financial statements can be obtained from Companies House.

### 19. Post balance sheet events

The impact of COVID-19 post 31 December 2019 on the operations and measures national government have put in place to contain the virus has negatively affected the company's results in the reporting period after the balance sheet date.

This has led to the temporary closure of the company's office on the back of national lockdown measures on 27th March 2020, 5th November 2020 and 4th January with employees working remotely from home as per the guidelines provided by the national government. The company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our employees (such as social distancing and working from home).

This is not considered to be an adjusting post balance sheet event.