
PROFESSIONAL COST MANAGEMENT GROUP LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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PROFESSIONAL COST MANAGEMENT GROUP LIMITED

COMPANY INFORMATION

Directors Mark Dickinson
Paul Anthony Connor

Registered number 06511368

Registered office 29 Progress Park
Orders Lane
Kirkham
Preston
PR4 2TZ

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

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PROFESSIONAL COST MANAGEMENT GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities and results

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

Profit for the financial year amounted to £1,579,104 (2020: £758,751)

Directors

The directors who served during the year were:

Mark Dickinson
Paul Anthony Connor

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern

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

For the purposes of assessing the appropriateness of preparing the Group's accounts on a going concern basis, the Directors have considered the current cash position, available banking facilities and the Group's base case financial forecast through to 31 December 2023, including the ability to adhere to banking covenants.

At 31 December 2021 the Group's net debt was £32.9 million, increasing from £18.8 million at 31 December 2020. In addition to cash and cash equivalents of £12.9 million on hand as at 31 December 2021, approximately £14.0 million of the Group's £60.0 million Revolving Credit Facility is undrawn with an additional £25.0 million accordion option available, subject to covenant compliance. The facility is subject to two covenants, which are tested quarterly, adjusted leverage to Adjusted EBITDA and Adjusted EBITDA to net finance charges.

In March 2021, the Board agreed with their lenders to amend the definition of Adjusted Net Leverage to apply from 1 July 2021, to reverse the impact of the adoptions of IFRS 16 and the definition of contingent consideration to only included deferred consideration or crystallised contingent consideration. Collectively, these changes reduce the Net Adjusted Leverage of the Group and significantly increased the headroom available to the Group from a covenant perspective.

Furthermore, subsequent to the year end, the Group has agreed with the lenders to defer the tapering of the Adjusted Net Leverage covenant from 2.50:1.00 to 2.00:1.00, which was due to commence in the quarter ending 31 December 2022 for 12 months to 31 December 2023.

Therefore, 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 potential impact of the macro-economic uncertainty created by the war in Ukraine, reasonably possible changes in trading performances in the next twelve months and considering the available liquidity, including banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months following the date of approval of these financial statements. The Group is therefore in a position to provide support and plans to continue to do so for a period of at least 12 months following approval of these financial statements and the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Qualifying third party indemnity provisions

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

This report was approved by the board on 18 August 2022 and signed on its behalf.



Paul Anthony Connor
Director

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	3	3,339,432	2,381,814
Cost of sales		(12,143)	(4,122)
Gross profit		3,327,289	2,377,692
Administrative expenses		(1,940,868)	(1,582,875)
Operating profit	4	1,386,421	794,817
Interest payable and similar expenses		(260)	(624)
Profit before tax		1,386,161	794,193
Tax on profit	6	192,943	(35,442)
Profit for the financial year		1,579,104	758,751

There were no recognised gains and losses for 2021 or 2020 other than those included in the income statement.

The notes on pages 8 to 21 form part of these financial statements.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED
REGISTERED NUMBER: 06511368

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible fixed assets	7	-	414
		<u>-</u>	<u>414</u>
Current assets			
Debtors: amounts falling due within one year	8	4,921,259	2,727,926
Cash at bank and in hand	9	80,355	1,018,784
		<u>5,001,614</u>	<u>3,746,710</u>
Creditors: amounts falling due within one year	10	(802,099)	(1,126,713)
Net current assets		<u>4,199,515</u>	<u>2,619,997</u>
Net assets		<u><u>4,199,515</u></u>	<u><u>2,620,411</u></u>
Capital and reserves			
Called up share capital	12	10,804,202	10,804,202
Other reserves	13	760,937	760,937
Profit and loss account	13	(7,365,624)	(8,944,728)
		<u><u>4,199,515</u></u>	<u><u>2,620,411</u></u>

PROFESSIONAL COST MANAGEMENT GROUP LIMITED
REGISTERED NUMBER: 06511368

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

The directors consider that the Company is entitled to exemption for audit under the section 479A of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 August 2022.



Paul Anthony Connor
Director

The notes on pages 8 to 21 form part of these financial statements.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

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

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 31 December 2019	10,804,202	760,937	(9,703,479)	1,861,660
Profit for the year	-	-	758,751	758,751
At 31 December 2020	10,804,202	760,937	(8,944,728)	2,620,411
Profit for the year	-	-	1,579,104	1,579,104
At 31 December 2021	10,804,202	760,937	(7,365,624)	4,199,515

The notes on pages 8 to 21 form part of these financial statements.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- 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

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.3 Going concern

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

For the purposes of assessing the appropriateness of preparing the Group's accounts on a going concern basis, the Directors have considered the current cash position, available banking facilities and the Group's base case financial forecast through to 31 December 2023, including the ability to adhere to banking covenants.

Furthermore, subsequent to the year end, the Group has agreed with the lenders to defer the tapering of the Adjusted Net Leverage covenant from 2.50:1.00 to 2.00:1.00, which was due to commence in the quarter ending 31 December 2022 for 12 months to 31 December 2023.

Therefore, 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 potential impact of the macro-economic uncertainty created by the war in Ukraine, reasonably possible changes in trading performances in the next twelve months and considering the available liquidity, including banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months following the date of approval of these financial statements. The Group is therefore in a position to provide support and plans to continue to do so for a period of at least 12 months following approval of these financial statements and the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Further detail can be found on the directors' report on page 2.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

IFRS15 Revenue from Contracts with Customers

The core services of Inspired Energy Solutions Limited are the review, analysis and negotiation of gas and electricity contracts on behalf of UK corporate clients (procurement revenue).

Procurement revenue is generated by way of commissions received from energy suppliers, based upon energy usage of the corporate customer, and fees received directly from customers. The subcategories are as follows, and given the differing service offerings provided by each, the measurement and recognition of procurement revenue should be assessed individually:

- Estate intensive clients
- Energy intensive clients
- Public sector clients
- Corporate clients

Estate/energy intensive and public sector

Within these sectors, there are a number of promises made within a contract including, but not limited to, development of a risk management strategy, budgeting and forecasting, bill validations, ongoing market intelligence and ongoing account management. The various promises made within each contract are not distinct and each of the promises made are input into the combined output that each customer has contracted for, being a cost effective energy management solution. Thus there is considered to be one performance obligation within each contract.

Estate intensive, energy intensive and public sector clients are provided with an outsourcing arrangement that requires significant input over the life of a contract. The customer receives and consumes the benefits of the services provided as Inspired performs, and revenue is recognised evenly over time on an input basis.

Corporate clients

Corporate clients require less input from Inspired over the life of the contract than the outsourcing arrangement provided to estate intensive, energy intensive and public sector clients. Corporate clients are provided with energy reviews, bill validation and account management, which are implied services, over the life of the contract. These promises are not distinct from the promise to provide procurement and therefore are combined into a single performance obligation.

The profile of revenue recognition, using a cost-based input method, should reflect the performance of the company, with the more labour intensive contract negotiation being recognised up front. After assessment of the costs to serve a corporate customer, we judged that an element of revenue proportional to the progress towards complete satisfaction of the performance obligation should be recognised upon contract live date.

The revenue recognised is constrained by the proportion of the revenue that is expected to reverse over the life of the contract, due to consumption variances and contract attrition. This amount is calculated by comparing total amount realised versus total amount expected across all completed contracts within the portfolio.

The expected value of the contract recognised on the go-live date of the contract is 10% of the total

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Revenue (continued)

contract value.

2.5 Finance costs

Finance costs are charged to profit or loss 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.

2.6 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
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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 profit or loss.

2.7 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.

2.8 Cash and cash equivalents

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

2.9 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Financial instruments (continued)

financial liability.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade debtors and other debtors fall into this category of financial instrument.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Intercompany balances

Amounts due from group companies are initially recognised at fair value being the present value of future interest and capital receipts discounted at the market rate of interest for a similar financial asset. Where the face value of the loan exceeds the fair value of the loan on initial recognition this difference is treated as follows:

If the loan is to a parent Company the difference is shown as a deduction from equity.

If the loan is to a fellow subsidiary the difference is shown as a deduction from equity.

If the loan is due from a subsidiary the difference is added to the investment in that subsidiary.

Interest receivable on the loan is recognised in profit or loss under the effective interest method.

Amounts due to group companies are initially recognised at fair value being the present value of future interest and capital payments discounted at the market rate of interest for a similar financial liability. Where the face value of the loan exceeds the fair value of the loan on initial recognition this difference is treated as follows:

If the loan is from a parent Company the difference is shown as a credit to equity.

If the loan is from a fellow subsidiary the difference is shown as a credit to equity.

If the loan is from a subsidiary the difference is recognised in profit or loss.

Interest payable on the loan is recognised in profit or loss under the effective interest method.

For group loans which are due on demand or where there is no significant difference between the amount due/payable and fair value on initial recognition then such loans are carried at the amount due/payable on an amortised cost basis.

2.11 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Leases (continued)

recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.6.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

2.13 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 software and IT 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 2021**

4. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	417	5,186
	<u>417</u>	<u>5,186</u>

5. Employees

	2021 £	2020 £
Wages and salaries	1,118,619	1,139,264
Social security costs	111,882	113,615
	<u>1,230,501</u>	<u>1,252,879</u>

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

	2021 No.	2020 No.
Administration	18	22
	<u>18</u>	<u>22</u>

6. Taxation

	2021 £	2020 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(143,602)	57,994
Effect of tax rate change on opening balance	(49,341)	(22,552)
Total deferred tax	<u>(192,943)</u>	<u>35,442</u>
Taxation on (loss)/profit on ordinary activities	<u>(192,943)</u>	<u>35,442</u>

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (*2020 - lower than*) the standard rate of corporation tax in the UK of 19% (*2020 - 19%*). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>1,386,161</u>	<u>794,193</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (<i>2020 - 19%</i>)	263,371	150,897
Effects of:		
Expenses not deductible for tax purposes	142	-
Deferred tax not recognised	(96,296)	48,221
Remeasurement of deferred tax for changes in tax rates	(360,160)	(163,676)
Total tax charge for the year	<u>(192,943)</u>	<u>35,442</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Tangible fixed assets

	Office equipment £
At 1 January 2021	291,806
Disposals	(291,806)
At 31 December 2021	-
At 1 January 2021	291,392
Charge for the year on owned assets	417
Disposals	(291,809)
At 31 December 2021	-
Net book value	
At 31 December 2021	-
At 31 December 2020	414

8. Debtors

	2021 £	2020 £
Trade debtors	541,359	1,112,326
Amounts owed by group undertakings	2,949,774	703,753
Other debtors	18	-
Prepayments and accrued income	1,080,917	755,599
Deferred taxation	349,191	156,248
	<u>4,921,259</u>	<u>2,727,926</u>

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

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	80,355	1,018,784
	<u>80,355</u>	<u>1,018,784</u>

10. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	253,149	342,030
Amounts owed to group undertakings	391,258	479,722
Other taxation and social security	99,105	206,809
Other creditors	13,255	8,634
Accruals and deferred income	45,332	89,518
	<u>802,099</u>	<u>1,126,713</u>

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

11. Deferred taxation

	2021 £	2020 £
At beginning of year	(156,248)	(191,690)
Charged to profit or loss	(192,943)	35,442
At end of year	<u>(349,191)</u>	<u>(156,248)</u>

The deferred tax asset is made up as follows:

	2021 £	2020 £
Losses and other deductions	(344,375)	(150,800)
Fixed asset timing differences	(4,816)	(5,448)
	<u>(349,191)</u>	<u>(156,248)</u>

PROFESSIONAL COST MANAGEMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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12. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
10,804,202 (2020 - 10,804,202) Ordinary shares of £1.00 each	10,804,202	10,804,202

13. Reserves

Other reserves

Reserve to hold write off of legacy intercompany balances.

Profit and loss account

includes all the current and prior period retained profits and losses.

14. Related party transactions

The Company has taken advantage of the exemption in FRS101 and has not disclosed transactions with group undertakings.

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

15. Ultimate parent undertaking and controlling party

The directors consider the ultimate parent company and controlling party to be Inspired Plc, a company registered in England and Wales, which owns 100% of the issued share capital of Professional Cost Management Group Limited.

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

16. Post balance sheet events

There have been no significant events affecting the Company since the year end.