

# **Annual Report and Financial Statements CTS Group Midco Limited**

For the year ended 31 December 2022



Registered number: 11103990

**Company Information**

**Directors**

R J W Jones

H N Wright

G M L'Estrange Gillon

**Registered number**

11103990

**Registered office**

7450 Daresbury Park,

Daresbury,

Warrington,

Cheshire

WA4 4BS

**Independent auditors**

RSM UK Audit LLP

Landmark, St Peter's Square

1 Oxford Street

Manchester

M1 4PB

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present the strategic report for the year ended 31 December 2022.

The company is a holding company within the CTS Group Holdings Limited group (known as "CTS Group") that provides services tailored to those required by local, regional and national clients and are provided from 2 offices in the UK and 1 in New Zealand. Current areas of focus are:

- Enhanced opportunities to grow CTS organically
- Integration of recent acquisitions
- Making selective acquisitions
- Developing our business operating model

**Organic Growth Strategy**

The cloud & IT managed services market for the legal sector continues to exhibit significant growth. Clear opportunities continue to present themselves for the Group to grow organically, specifically from the rapidly accelerating need for legal services firms to be agile & remote-enabled. There is a significantly enhanced appetite for the benefits of technological solution in supporting the evolution of new legal service business operating models, along with new levels of remote workings and interaction from both clients and colleagues.

**Acquisitive Growth**

In September 2022, the CTS group acquired 100% of Tiger Eye Consulting Limited ("Tiger Eye") for consideration of £3.2m. Tiger Eye is renowned for its iManage knowledge and technical expertise, implementing, managing and optimising the iManage document management system, an industry leading application in the legal sector. The Acquisition of Tiger Eye furthers CTS Group's vision of becoming the digital transformation partner for law firms and expands its current product portfolio to offer integrated application and platform support.

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

**Developing our Operating Model**

CTS Group continues to invest heavily in its business operating model, with the ultimate aim to enable further growth. The main pillars of this are investment & development of our value propositions to our clients, processes, people, platforms, IT systems, vendor relationships and performance management 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 company holds shares in its subsidiary undertakings, including the acquisitions made during the year. It does not trade.

**Principal risks and uncertainties**

The directors consider the principal risks to include the following:

- The carrying value of its investment.
- The ability for the CTS group as a whole to continue as a going concern.

**Key performance indicators**

As this company is a holding company, there are no operational KPIs.



On behalf of the board  
H N Wright Director  
Date: 29 September 2023

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their annual report and financial statements for the year ended 31 December 2022.

**Principal activities**

The principal activity of the company is that of a holding company.

**Results and dividends**

The results for the year are set out on page 9.

The company does not propose a dividend for the year (2021: £Nil).

**Directors**

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

G M L'Estrange Gillon

R J W Jones

H N Wright

**Third party indemnity provision for directors**

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

**Post reporting date events**

After the year-end, the shareholders committed an additional £1.7m of loan notes to the company. At the point of signing, these remain undrawn. Once drawn, the loan notes accrue interest at 8% and will be due for repayment in 2026.

**Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company'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.

**Auditor**

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

**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

H N Wright Director

Date: 29 September 2023

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CTS GROUP MIDCO LIMITED**

**Opinion**

We have audited the financial statements of CTS Group Midco Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of the company'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 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.

**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 material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CTS GROUP MIDCO LIMITED (CONTINUED)**

**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 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 5, 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.

**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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CTS GROUP MIDCO LIMITED (CONTINUED)**

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 audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is 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.
- 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 audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed 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.

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

Landmark, St Peter's Square

1 Oxford Street

Manchester

M1 4PB

29 September 2023

**Statement of Comprehensive Income  
For the year ended 31 December 2022**

		2022	2021
	Note	£	£
Administrative expenses		(36,592)	(41,012)
Interest receivable and similar income	6	2,124,434	2,373,222
Interest payable and similar expenses	7	(2,124,434)	(2,373,222)
<b>Loss before taxation</b>		<b>(36,592)</b>	<b>(41,012)</b>
Tax on loss	8	14,205	71,228
<b>(Loss) / Profit for the financial year</b>		<b>(22,387)</b>	<b>30,216</b>

CTS Group Midco Limited

Statement of Financial Position  
As at 31 December 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Investments	9	<u>30,001</u>	<u>30,001</u>
<b>Current assets</b>			
Debtors	10	34,773,522	28,611,572
<b>Creditors: amounts falling due within one year</b>	11	(3,073,694)	(3,064,791)
<b>Net current assets</b>		<u>31,699,828</u>	<u>25,546,781</u>
<b>Total assets less current liabilities</b>		<u>31,729,829</u>	<u>25,576,782</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(31,732,397)	(25,556,963)
<b>Net (liabilities)/assets</b>		<u>(2,568)</u>	<u>19,819</u>
<b>Capital and reserves</b>			
Called up share capital	14	1	1
Share premium account	15	30,000	30,000
Profit and loss reserves	15	(32,569)	(10,182)
<b>Total equity</b>		<u>(2,568)</u>	<u>19,819</u>

The financial statements were approved by the board of directors and authorised for issue on 29 September 2023 and are signed on its behalf by:



**Nigel Wright**  
Director

CTS Group Midco Limited

Statement of Changes in Equity  
For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2021	1	30,000	(40,398)	(10,397)
Profit for the year	-	-	30,216	30,216
Balance at 31 December 2021	1	30,000	(10,182)	19,819
Loss for the year	-	-	(22,387)	(22,387)
Balance at 31 December 2022	1	30,000	(32,569)	(2,568)

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**1. Accounting Policies**

**Company information**

CTS Group Midco Limited 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 company'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.

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.

**Consolidation**

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. These financial statements present information about the company as an individual entity and not about its group.

**Going concern**

The company is a subsidiary of CTS Group Holdings Limited (the "group"). 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 2022, the group has net current liabilities of £2,369,098 (2021: £1,255,984 ) and a positive cash position of £2,069,972 (2021: £1,984,814). A net current liability position is due to ongoing commitments. 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 before non-recurring items. Management loan notes accrue interest, however neither interest nor capital is due for repayment until 2026. The shareholders committed an additional £1.7m of loan notes to the company in September 2023 to support ongoing investment in growth. At the time of signing the loan notes were undrawn. The directors have prepared a forecast which includes the drawdown in full of the £1.7m loan notes. The directors expect the business to trade profitability with a positive cashflow and for it to meet its future financial covenants, thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2022.

**Fixed asset investments**

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.

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**1. Accounting Policies (continued)**

**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 company 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 company 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.

**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 company 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 company 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.

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**1. Accounting Policies (continued)**

**Basic financial liabilities (continued)**

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 company's contractual obligations are discharged, cancelled, or they expire.

**Equity instruments**

Equity instruments issued by the company 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 Company.

**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.

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**2. Judgements and key sources of estimation uncertainty**

In the application of the company'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.

The directors believe there are no key judgements or sources of estimation in the preparation of these financial statements.

**3. Operating profit**

Auditors remuneration of £6,500 (2021: £2,300) has been borne by a fellow group company.

**4. Employees**

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

	2022 No.	2021 No.
Board & directors	3	3
Total	3	3

**5. Directors' remuneration**

The directors receive remuneration from another group company in the current year and are employed by that company.

**6. Interest receivable and similar income**

	2022 £	2021 £
Interest receivable from group companies	2,124,434	2,373,222

**7. Interest payable and similar expenses**

	2022 £	2021 £
Other interest of financial liabilities	2,124,434	2,373,222

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**8. Taxation**

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on (losses)/profits for the current period	8,551	(67,186)
Adjustments in respect of prior periods	(2,356)	-
<b>Total current tax</b>	<b>6,195</b>	<b>(67,186)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(20,400)	81,250
Changes in tax rates	-	(85,292)
Adjustment in respect of prior periods	-	-
<b>Total deferred tax</b>	<b>(20,400)</b>	<b>(4,042)</b>
<b>Total tax credit</b>	<b>(14,205)</b>	<b>(71,228)</b>

The total tax credit 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:

	2022 £	2021 £
<b>Loss before taxation</b>	<b>(36,592)</b>	<b>(41,012)</b>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(6,952)	(7,792)
<b>Tax effect of expenses that are not deductible in determining taxable profit</b>	<b>-</b>	<b>2,356</b>
Adjustments to tax charge in respect of prior periods	(2,357)	-
Tax rate changes	(4,896)	(65,792)
<b>Taxation credit</b>	<b>(14,205)</b>	<b>(71,228)</b>

**Factors affecting future tax charges**

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at 31 December 2022.

**9. Fixed asset investments**

	2022 £	2021 £
Investments in subsidiaries	30,001	30,001
	<b>30,001</b>	<b>30,001</b>

**Movements in Fixed asset investments**

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2022 and 31 December 2022	30,001
<b>Carrying amount</b>	
At 31 December 2022	30,001
At 31 December 2021	30,001

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**9. Fixed asset investments (continued)**

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered Office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
CTS Group Management Limited	1	Holding company	Ordinary	100	-
Converge-IT.Net Limited	1	IT Services	Ordinary and Deferred	-	100
City Business Solutions UK Ltd	1	IT Services	Ordinary	-	100
Sprout Technologies Limited	1	IT Services	Ordinary	-	100
Tiger Eye Consulting Limited	1	IT Services	Ordinary	-	100
Sprout Technologies NZ Limited	2	IT Services	Ordinary	-	100

1 7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS

2 Grace Team Accounting Limited, 55 Eight Avenue, Tauranga, 3110, New Zealand

**10. Debtors**

	2022 £	2021 £
Amounts owed by group undertakings	34,478,989	28,337,439
Deferred tax asset (note 13)	294,533	274,133
	<b>34,773,522</b>	<b>28,611,572</b>

**11. Creditors: amounts falling due within one year**

	2022 £	2021 £
Amounts owed to group undertakings	3,067,499	3,064,791
Corporation tax payable	6,195	-
	<b>3,073,694</b>	<b>3,064,791</b>

**12. Creditors: amounts falling due after more than one year**

	2022 £	2021 £
Loan notes – principal	22,461,000	18,410,000
Loan notes – accrued interest	9,271,397	7,146,963
	<b>31,732,397</b>	<b>25,556,963</b>

Amounts included in loan notes include loan note instruments of £16,491,000 (2021: £12,440,000) and £5,970,000 (2021: £5,970,000). The loan notes are repayable in 2026 and incur compounding interest at a fixed rate of 8% per annum. Interest is disclosed within other creditors due after one year. An additional £4,051,000 loan note balance was drawn down in the year (2021: £1,500,000). An early repayment of £Nil has been made in the year (2021: £3,000,000). The loan notes are secured by a fixed and floating charge over all the current and future assets of the group.

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**13. Deferred taxation**

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

	Assets 2022	Assets 2021
	£	£
<b>Balances:</b>		
Short term timing differences	294,533	274,133
	<u>294,533</u>	<u>274,133</u>
<b>Movements in the year:</b>		
Asset at 1 January 2022	274,133	270,091
Charge to profit or loss	20,400	4,042
Asset at 31 December 2022	<u>294,533</u>	<u>274,133</u>

The deferred tax asset set out above is expected to reverse and relates to the utilisation of tax losses against future expected profits of the same period.

**14. Share capital**

	2022 Number	2021 Number	2022	2021
			£	£
<b>Ordinary share capital, Issued and fully paid up</b>				
Ordinary shares of 1p each	100	100	1	1
	<u>100</u>	<u>100</u>	<u>1</u>	<u>1</u>

The company's Ordinary shares carry full voting, dividend and capital distribution rights.

**15. Reserves**

**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.

**16. Financial commitments, guarantees and contingent liabilities**

Certain loan notes of £22,461,000 (2021: £18,410,000) 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 2026 and incur interest at a fixed rate of 8% per annum.

Bank loans of £13,800,000 (2021: £14,550,000) 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 £Nil (2021: £1,000,000) held by a company within the group 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 £13,800,000 (2021: £15,550,000) are secured by a fixed and floating charge over all current and future assets of the group, via a cross-company guarantee.

**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**17. Related party transactions**

'A1' Loan notes of £2,439,050 (2021: £nil) and 'A' Loan notes of £13,940,850 (2021: £12,440,000) are held by the controlling party of the group. 'A' Loan notes of £111,100 (2021: £Nil) and 'B' loan notes of £5,970,000 (2021: £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 2026. Loan note interest charged to the Profit and Loss Account amounted to £2,124,434 (2021: £2,373,222). Loan note accrued interest outstanding at the year end of £9,271,397 (2021: £7,146,962) is disclosed within other creditors.

The company has taken advantage of the disclosure exemption relating to section 33.1A of FRS 102, with regards to the requirement of disclosing transactions with wholly-owned group entities.

**18. Ultimate controlling party**

The company's immediate and parent undertaking is CTS Group Holdings Limited, which is the parent of the largest and smallest group of companies for which consolidated accounts are prepared. The registered office is 7450 Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BS.

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

**19. Events after reporting date**

After the year-end, the shareholders committed an additional £1.7m of loan notes to the company. At the point of signing, these remain undrawn. Once drawn, the loan notes accrue interest at 8% and will be due for repayment in 2026.