Optionis Limited

Annual report and financial statements

For the year ended 31 October 2019

Registered number: 09199221

OPTIONIS LIMITED – COMPANY INFORMATION

Directors	I Ahmed W J Catterick D J Crawford J S Newman
Registered number	09199221
Registered office	KD Tower Cotterells Hemel Hempstead Hertfordshire HP1 1FW
Independent auditor	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT

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OPTIONIS LIMITED – INTRODUCTION
CHIEF EXECUTIVE'S STATEMENT

Introduction

I joined the Optionis group on 8 July 2019, following the retirement of Derek Kelly. My background prior to joining Optionis has been leading professional and financial services businesses over the past 25 years with my most recent role as CEO of My Home Move for the last seven years leading their transformation and helping turning it into the clear market leader in its sector.

I am excited to join Optionis and take on the challenge of facilitating its future growth, while building on the groups history and heritage as the leading market provider of contractor solutions.

Strategic update

The key area for me since joining the business has been to focus on developing a long-term strategic plan and vision for the group. To do this we commenced a process in December 2019 to create a vision as to how we would like the Optionis group to look and to feel over the coming years and, as part of that process, we have reached out to every single person in the Optionis group in a structured workshop to make sure we hear what they think. Contemporaneously, we have run a series of workshops with the executive and senior management team into which we have fed the key messages from the business.

The outputs from all of this work are being collated and finalised and we expect to present back to everyone our vision for the future of our business, what we all think it should look like and how we want to develop our company over the coming years. Alongside developing the long term strategy we have made progress in a number of specific areas.

Fundamentally, I believe that in any professional services business people are the key to success. Therefore, I am delighted to announce that to drive forward our people proposition we will be appointing a Chief People Officer to the executive team on 1 April 2020. This reflects my commitment to ensuring we continue investing heavily to hire the very best people; providing them with a market leading environment to grow with the firm; and, ultimately retain them in our business and share in our success.

In the year we have also reviewed and amended our sales team's management structure and our reward offering. This change reflects that delivering the future success of our business requires a stable, high performing sales team so that we can provide the best support and advice to our customers, Umbrella employees and agency partners. We are already starting to see the benefits of these changes improving the team's stability with staff attrition having fallen across the sales and marketing team to 37.4% in 2019 (2018: 49.4%) and expect to see further benefits over the coming year.

We also continue to focus on driving new technologies to further augment the level of market-leading service and support we provide to our contractors and business partners across the UK. To this end we have made progress in a number of areas having developed a new client facing portal and this will be deployed over the coming year; updated the group's hardware to ensure every employee has the kit they need to best deliver in their role; and are developing a new Umbrella system to ensure we provide our contractor employees and our agency partners a simple to use, transparent, market leading platform.

Group performance

The group has experienced a challenging year against a background of the ongoing political uncertainty arising from Brexit; the change in the Prime Minister; and, ultimately the election in late 2019 impacting business confidence while the market uncertainty generated by the IR35 reforms has not helped the contractor market during the year. Against this backdrop the group has seen gross income increasing 1.7% to £326.8m (2018: £321.3m), net fee income (defined as "Revenue less costs of employee contractors") decreasing 3.1% to £46.7m (2018: £48.2m), adjusted EBITDA (defined as "Earnings before interest, tax, depreciation, amortisation, loss on disposal and exceptional expenses") decreasing 13.7% to £18.2m (2018: £21.1m) and adjusted EBITDA margin (calculated as adjusted EBITDA divided by net fee income) decreased slightly to 39.0% (2018: 43.8%).

OPTIONIS LIMITED – INTRODUCTION
CHIEF EXECUTIVE'S STATEMENT

Outlook

The current economic and political outlook for the UK still retains many uncertainties not least the nature of the UK's future relationship with the European Union following Brexit and IR35 legislation changes. However, I believe that the group's business model and commitment to delivering exceptional client focused service means we are well positioned to take advantage of the increased requirement for umbrella services and incrementally grow our client numbers.

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

Doug J Crawford

Chief Executive Officer

28 February 2020

OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2019
BUSINESS OVERVIEW

Optionis is the market-leading professional services provider to contractors, specialising in accountancy, tax and umbrella employment solutions. We have ten offices and over 600 internal employees and over 6,500 operating contractors, across the UK, with our Headquarters in Warrington.

Each of the brands that make up the Optionis family deliver excellent levels of client service, and we are always looking for opportunities to enhance this and further improve our clients' experience.

Our vision and values

Our vision is to make our clients' lives easier and provide them with the best possible support to allow them to grow with us. It's who we are, and it's what we do. We deliver this vision by upholding our values of:

- **Trusted** - *Our clients trust us to deliver quality across a range of rigorous processes and procedures, with* outstanding communication, and we are fair in everything we do.
- **Committed** - We are committed to the highest standards of performance, demonstrating accountability and loyalty in everything we do. We have a reputation for excellent problem solving and decision-making, and we do what we say we will.
- **Progressive** - We face forward at all times, using creative thinking, industry knowledge and idea sharing to progress and improve every day
- **Fun** – We are a people business, and it shows. We know full well the roles that strong relationships, teamwork, and positivity play in success, and we work hard to make the most of them whilst having fun along the way.

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

Our business model and brands

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

- optionis accountancy: clearskybusiness (with you all the way), first freelance, clearsky contractor accounting (with you all the way), nixon williams (your accounting partner), SJD
- optionis umbrella: parasol (with you all the way)
- optionis tax: BRIAN ALFRED (Maximum tax rebates, real quick.)

STRATEGIC OBJECTIVES AND KEY PERFORMANCE INDICATORS

1. Growing our business

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

Key initiatives:

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

Progress in 2019:

- Commencement of a strategic review of the business to agree a long-term vision
- Development of a new client facing portal for our accountancy business
- Commenced the development of a new Umbrella system to ensure we provide our contractor employees and our agency partners a simple to use, transparent, market leading platform.

Key performance indicators		2019	2018	Variance
Net fee income	£m	**46.7**	48.2	(3.1%)
Adjusted EBITDA	£m	**18.2**	21.1	(13.7%)
Adjusted EBITDA margin		**39.0%**	43.8%	(10.9%)

2. Delivering a quality service

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

Key initiatives:

- Identifying best practice from across our brands and looking to ensure we deliver these to all clients.
- Focusing on ensuring our teams are fully staffed and training for new joiners is delivered in a timely manner.

Progress in 2019:

- Further improvement in our service levels resulting from our investment into our people and training evidenced by a further reduction in our client churn
- Rolling out new IT hardware to ensure our staff have the equipment they need to deliver in their role
- Launch of our specialist IR35 contract review team
- Centralisation of our SME accounting team

Key performance Indicators		2019	2018	Variance
Number of clients	Accountancy	**23,594**	24,886	(5.2%)
	Umbrella	**6,593**	6,782	(2.8%)
	Tax	**2,485**	3,052	(18.6%)
Churn	Accountancy	**20.4%**	23.1%	11.7%
	Umbrella	**126.4%**	127.9%	1.2%
ARPU (£)	Accountancy	**1,445**	1,443	0.1%
	Umbrella	**1,207**	1,226	(1.5%)
	Tax	**338**	333	1.5%

STRATEGIC OBJECTIVES AND KEY PERFORMANCE INDICATORS

3. Developing our people

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

Key initiatives:

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

Progress in 2019:

- Investment into our sales team to improve the team structure and engaging with the team to develop an improved reward structure
- Initial process commenced to recruit a Chief People Officer to drive our people agenda
- Engagement workshops held across the Group with all employees able to participate
- Further development of our on-site training and apprenticeship provision

Key performance indicators		2019	2018	Variance
Employee numbers	Operations	**430**	437	(1.6%)
	Administrative	**174**	152	14.5%
	Contractors	**6,536**	6,799	(3.9%)
Attrition	Operations	**35.8%**	46.3%	22.7%
	Administrative	**44.9%**	44.6%	(0.7%)

RISK MANAGEMENT

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

Risk management framework

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

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

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

Principal risks

FINANCIAL RISKS				
Risk	*Definition*	*Impact*	*Likelihood*	*Mitigating controls and actions*
Liquidity	The risk that the group will be unable to secure finance on acceptable terms or be able to meet its existing banking covenants may result in significant restrictions on the ability of the group to continue trading or its ability to fund future acquisitions that are part of the group's strategic plans.	VH	M	• Regular reforecasts are undertaken during the year and projected covenant headroom is monitored by the board. • Three-year forecasts are produced and reviewed by the board. • The group monitors interest rate forecasts and exposures on a monthly basis.
Interest Rate	The risk that interest rate fluctuations will result in a reduction in the groups' cashflow and profitability.	M	L	• The group monitors interest rate forecasts and exposures on a monthly basis. • The group undertakes hedging to mitigate interest rate risk if and when it is required.

RISK MANAGEMENT

STRATEGIC RISKS				
Risk	**Definition**	**Impact**	**Likelihood**	**Mitigating controls and actions**
Competition	The risk of a loss of market share arising from a failure to deliver a quality service, maintain or develop existing or new relationships.	M	L	• Regular engagement with existing and potential agencies to ensure we have a diversified client base. • Regular engagement with our clients to obtain feedback on our service. • Regular monitoring and reporting of client satisfaction and reasons for client leavers. • Investment in staff training, development and retention to ensure we continue to deliver a high quality service.
Economic and market conditions	The risk that a deterioration in economic or market conditions results in increased competition or a reduction in demand for our client's services and, indirectly, our services.	M	M	• Regular engagement with existing and potential agencies to ensure we have a diversified client base. • Review of packages to identify opportunities to broaden our service offering to meet our clients evolving needs. • Investment in training to ensure we continue to deliver a high quality, efficient service.
Regulatory and legal changes	The risk that changes to the regulatory and legal environment the group operates in, increases in the group's compliance costs or reduction in the continued viability of the group's service offering.	M	M	• Regulatory and legal changes are monitored on a legislation tracker to ensure changes are adequately planned for in advance. • Policies and procedures are updated where necessary to ensure compliance. • Training delivered to all staff on changes to any service delivery compliance requirements.
OPERATIONAL RISKS				
Risk	**Definition**	**Impact**	**Likelihood**	**Mitigating controls and actions**
IT architecture and cyber security	The risk that an IT infrastructure failure or cyber-security breach materially impacts the operational capability of the group.	VH	M	• IT infrastructure update program currently being delivered. • System access controls in place. • Physical security in all locations.
Data security	The potential financial, client, operational, and reputational risks arising from a data protection breach or failure to remain compliant with GDPR.	M	L	• Documented policies, procedures and systems in place. • Training delivered to all staff on data security and the requirements under GDPR • System access controls in place. • Regular monitoring of any breaches recorded.

RISK MANAGEMENT

OPERATIONAL RISKS (continued)				
Risk	Definition	Impact	Likelihood	Mitigating controls and actions
Compliance	The risk that the group's compliance procedures are not adhered to results in a failure to meet our contractual arrangements or increased levels of employee errors that lead to losses arising from additional claims from clients.	M	M	• Documented policies and procedures in place. • Review and monitoring controls in place to ensure requirements are adhered to. • Training delivered to all staff on service delivery compliance requirements. • Suitability and effectiveness of policies, procedures and controls is reviewed regularly.
People	The risk that a failure to recruit and retain key staff and managers on competitive salaries impacts the group's operational effectiveness, service delivery to clients and profitability.	M	M	• Competitive remuneration and benefits package. • Remuneration committee responsible for approving all senior management salary increases. • Annual engagement surveys to provide input to the development of HR policies. • Exit interviews conducted for all leavers to ascertain reasons for leaving. • The provision of regular training and development.

FINANCIAL OVERVIEW

Overview

Group operating results

£m	2019	2018	Variance
Net fee income	46.7	48.2	(1.5)
Adjusted EDITDA	18.2	21.1	(2.9)
Profit/(Loss) before tax	0.0	(1.3)	1.3
Tax	(1.0)	(0.7)	(0.3)
Loss after tax	(1.0)	(2.0)	1.0

Net fee income for the year decreased by 3.1% to £46.7m (2018: £48.2m) while operating expenses (including both *non-exceptional and exceptional*) have decreased 0.3% to £32.0m (2018: £32.1m) and when excluding depreciation, amortisation, loss on disposal and exceptional expenses increased 5.2% to £28.5m (2018: £27.1m).

The decrease in net fee income is primarily driven by lower client numbers due to the challenging market conditions. Whilst churn across the group has largely decreased there has been a reduction in joiners resulting in a lower overall client base. Increased operational costs (excluding exceptional) are a result of higher costs to attract new clients in a challenging environment.

Adjusted EBITDA, which excludes depreciation, amortisation, loss on disposal and exceptional expenditure, decreased by 13.7% to £18.2m (2018: £21.1m) while adjusted EBITDA margin, calculated as adjusted EBITDA divided by net fee income, decreased to 39.0% (2018: 43.8%).

Tax

The overall effective tax rate for the year was 100% (2018: 53.8%). This is calculated as the tax charge in the financial statements of £1.0m (2018: £0.7m), divided by PBT of £0.0m (2018: £1.3m). A full tax reconciliation is set out in note 10.

Financial position

Intangible assets

Intangible assets arise primarily in relation to business combinations, computer software, brands and the acquisition of customer lists. At 31 October 2019, the total carrying value of intangible assets was £138.2m (2018: £140.5m).

Customer list intangible assets are amortised over their minimum estimated useful life of two to seven years. The total amortisation charge for customer lists was £2.3m (2018: £2.4m).

Brand intangible assets are amortised over their minimum estimated useful life of ten years. The total amortisation charge for brand intangible assets, including the impact of any lost relationships, was £0.2m (2018: £0.3m).

Intangible assets related to the acquisition of software licences and costs associated with the production of software products controlled by the group are amortised over a definite useful life of three years. The total amortisation charge for the year was £0.3m (2018: £0.3m).

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

FINANCIAL OVERVIEW

Borrowings

The group is financed through a combination of secured bank borrowings of £120.0m (2018: £120.0m) and loan notes of £49.4m (2018: £49.4m) held at amortised cost using the effective interest method. At 31 October 2019, the total carrying value of borrowings was £169.4m (2018: £169.1m), see note 18.

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

The loan notes relate to £34.4m (2018: £34.4m) due to shareholders and £15.0m (2018: £15.0m) due to vendors. All loan notes are repayable in full in September 2022. The interest rate on the loan notes is fixed at 10% and was settled quarterly until the refinancing post year end. Interest is still being accrued on the loan notes. Interest on £0.3m (2018: £6.6m) of the Loan Notes due to management would cease to become payable if those managers resigned their employment from the group.

Cash flow and capital expenditure

£m	2019	2018	Variance
Net cash generated from operating activities pre-working capital movements and tax	18.2	21.1	(2.9)
Movement in working capital	0.1	(1.1)	1
Tax paid	(0.9)	(0.8)	(0.1)
Net cash generated from operating activities	17.4	19.2	(1.8)
Net cash used in investing activities	(0.9)	(4.4)	3.5
Net cash used in financing activities	(15.2)	(14.8)	(0.4)
Net movement in cash and cash equivalents	**1.3**	**(0.0)**	**1.3**
Cash and cash equivalents brought forward	17.7	17.7	-
Cash and cash equivalents carried forward	**19.0**	**17.7**	**1.3**

The decrease in the net cash generated from operating activities pre-working capital movements has been driven by the decrease in adjusted EBITDA in the year.

Net cash used in investing activities of £0.9m predominantly relates to capital expenditure. The net cash used in the prior year (£4.4m) relates to the acquisition of the First Freelance Group (£2.4m), deal costs incurred (£1.5m) and capital expenditure (£0.5m).

Net cash used in financing activities of £15.2m (2018: £14.8m) is largely in relation to interest paid on the group's borrowings.

FINANCIAL OVERVIEW

Going concern

In assessing the Going Concern of the Group the directors have considered both the current trading performance of the Group and the latest approved forecasts for a period of at least a year from the date of approval of these financial statements. In performing this review, they have considered specific assumptions and risks to achieving forecast outcomes and have considered absolute liquidity as well as the ability to operate within the Group's current financing facilities which are subject to formal covenant tests. Post year end, on 29th November 2019, there was a resetting of the covenants on the Group's borrowings.

The Group's ability to operate within our covenant limits depends on its ability to deliver forecast results and the overall management of cash. Based on the history of delivering forecasts and delivering working capital improvements, the directors have applied reasonable downside sensitivities and also considered mitigating factors that would be available to manage any increased level of risk against the tightest measurement periods. Based on these circumstances and our latest review, the directors do not consider there is any outcome that could be reasonably foreseen that would cast doubt on the company's ability to continue as a going concern.

Post year end, on 29 November 2019, there was a resetting of the covenants on the Group's borrowings. As part of this the covenants were waived at the year end and have since been amended. As part of this a £575,000 fee was incurred.

It is noted that there is new government legislation arising in April 2020 in relation to IR35. This is deemed to impact the business as it will affect the overall contracting industry with changes to how off-payroll workers are recognised and taxed. It is not deemed to have a material impact on going concern because the Group operates under several different brands and therefore any contractors that move because of IR35 are likely to use one of the other brands.

Effect of changes in accounting standards

IFRS 9 and IFRS 15 became effective for the year ended 31 October 2019, however they have had no significant impact on the current year performance or results.

IFRS 16 will become effective for the year ended 31 October 2020, the impact of this standard is expected to be a decrease in Profit before tax of £0.2m and an increase in adjusted EBITDA of £0.9m. Further details can be found in note 2 to the consolidated financial statements.

PEOPLE

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

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

Graduates and apprentices

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

In the year, we enrolled 24 employees onto our ACCA training program and currently have 53 employees in total on the programme. We also offer 3 apprenticeship pathways; AAT Accounting; Business Administration; and Customer Services. Each of these pathways provides the apprentice support towards a professional qualification, while allowing our people to develop technical and soft skills through practical on the job experience. This year 305 employees, both new recruits and existing employees, have undertaken apprenticeship training.

Diversity and inclusion

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

We published our 2018 Gender Pay report as required under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 which is available on our website (www.optionis.co.uk). Our report highlights that we employ very slightly more men (52.3%) than women (47.7%) and there is a small difference of 5% between the mean (average) pay for men and women.

However, it is important to note that this figure is not based on individual roles; a man and woman performing the same role at Optionis are paid equally. All new starters are recruited under the same salary structure for their role and their earnings ability depends on their performance and career progression. All employees are afforded the same opportunities, and internal roles are offered as a result of fair and consistent recruitment processes. The median (middle value) of women's pay is 11% higher than that of men.

This can be explained by the fact that men's earnings across the business are very varied, for example men make up 64% of our highest earning bracket (upper quartile) and 71% of our lowest earning bracket (lower quartile). However, the vast majority of women fall into our middle earning brackets, making up 66% of our upper middle quartile and 60% of our lower middle quartile. Bonuses are awarded according to job roles and performance targets being met. Targets are set fairly across the group to ensure equal earnings opportunity. Virtually the same proportion of men (19%) and women (20%) earnt a bonus in this period. The mean (average) bonus earnings of men was 33% higher than that of women.

Human rights and modern slavery

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

OPTIONIS LIMITED – STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2019 (continued)

CORPORATE AND SOCIAL RESPONSIBILITY

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

Community

At Optionis, we like to give something back to the community. That's why, each year, we fundraise as a Group for our chosen corporate charity. This year we have supported Samaritans.

Throughout the year, we have held variety of fun and engaging activities across our group, with our main fundraising event being the challenging National Three Peaks, which saw 13 employees make the 24-hour trek in August 2019. We've also held a host of other regular activities to raise money and also awareness of Samaritans. These include Brew Monday, our Great Optionis Bake Off and Christmas Jumper Day, to name a few. We are delighted to say that, currently, we have raised over £5,000.

Tax strategy

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

The strategic report for the year ended 31 October 2019 was approved by the board on 28 February 2020 and signed on its behalf by:

Doug J Crawford	William J Catterick
Chief Executive Officer	Chief Financial Officer

OPTIONIS LIMITED – DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2019

The directors present their annual report on the affairs of the group, together with the audited financial statements for the year ended 31 October 2019.

Registered company number

The company's registered number is 09199221.

Directors

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

I Ahmed (Appointed 14 January 2020)
W J Catterick (Appointed 19 February 2020)
D Crawford (Appointed 8 July 2019)
K J Budge (Resigned 3 January 2020)
D A Kelly (Resigned 5 July 2019)
J S Newman

Business review and future developments

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

Financial risk management

The group has an active and robust corporate governance programme designed to manage strategic and tactical risks which could impact the business. Refer to page 7 of the Strategic Report for details of the group's risk management framework.

Dividends and results

The directors do not recommend the payment of a dividend (2018: £nil). Loss after taxation was £1.0m (2018: £2.0m) for the year.

Post balance sheet events

Post year end there was a refinancing of the Group's borrowings on the 29 November 2019. As part of this the covenants were waived at the year end and have since been amended. As part of this a £575,000 fee was incurred.

Political donations

No political donations were made during the year (2018: £nil).

Directors liabilities

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

Going concern

The directors' assessment of going concern is set out on page 12 of the strategic report. The strategic report also details the group's business activities, together with the factors likely to affect its future development and performance. Overall, the group has adequate financial resources and a large, diversified client base. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

OPTIONIS LIMITED – DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

Directors' confirmations

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

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

Independent auditor

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

This report was approved by the board on 28 February 2020 and signed on its behalf.

William J Catterick

Chief Financial Officer

OPTIONIS LIMITED – INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OPTIONIS LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Optionis Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 October 2019 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated and Company Statement of Changes in Equity and Consolidated Statement of Cashflows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
28 February 2020

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

OPTIONIS LIMITED – CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2019

	Note	2019	2018
		£'000	£'000
Revenue	5	**326,749**	321,323
Cost of employee contractors	7	**(280,042)**	(273,138)
Revenue less costs of employee contractors		**46,707**	48,185
Operational employee costs	7	**(17,882)**	(17,289)
Depreciation, amortisation and loss on disposal of property, plant and equipment	6	**(3,328)**	(3,600)
Other operating costs - exceptional	6	**(156)**	(1,385)
Other operating costs - non-exceptional	6	**(10,621)**	(9,778)
Operating profit		**14,720**	16,133
Finance costs	8	**(14,816)**	(17,456)
Finance income	9	**88**	52
Net finance cost		**(14,728)**	(17,404)
(Loss) before taxation		**(8)**	(1,271)
Income tax expense	10	**(967)**	(741)
Loss for the financial year		**(975)**	(2,012)

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

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

The accompanying notes on pages 25 to 59 form part of the financial statements.

OPTIONIS LIMITED – CONSOLIDATED BALANCE SHEET

AS AT 31 OCTOBER 2019

	Note	2019	2018
		£'000	£'000
Assets			
Non-current assets			
Intangible assets	11	**138,226**	140,530
Property, plant and equipment	12	**1,105**	1,335
Deferred tax assets	19	**131**	282
		139,462	142,147
Current assets			
Trade and other receivables	14	**19,404**	19,368
Cash and cash equivalents	15	**19,023**	17,728
		38,427	37,096
Total Assets		**177,889**	179,243
Liabilities			
Current liabilities			
Trade and other payables	16	**43,991**	44,407
Current tax liabilities	16	**763**	803
Provisions for other liabilities and charges	17	**1,012**	762
		45,766	45,972
Total assets less current liabilities		**132,123**	133,271
Non-current liabilities			
Trade and other payables	16	**298**	316
Provisions for other liabilities and charges	17	**632**	668
Borrowings	18	**169,392**	169,074
Deferred tax liabilities	19	**1,596**	2,033
		171,918	172,091
Total Liabilities		**217,684**	218,063
Equity			
Share capital	21	**72**	72
Share premium		**4**	4
Capital redemption reserve		**51**	51
Accumulated losses		**(39,922)**	(38,947)
Total shareholders' deficit		**(39,795)**	(38,820)
Total capital employed		**177,889**	179,243

The financial statements were approved by the board of directors on 28 February 2020.

Signed on behalf of the board of directors

William J Catterick
Director

Company registration number: 09199221

The accompanying notes on pages 25 to 59 form part of the financial statements.

OPTIONIS LIMITED – COMPANY BALANCE SHEET
AS AT 31 OCTOBER 2019

	Note	2019	2018
		£'000	£'000
Fixed assets			
Investments	13	**700**	700
		700	700
Current assets			
Trade and other receivables	14	**127**	127
Net assets		**827**	827
Equity			
Share capital	21	**72**	72
Share premium		**4**	4
Capital redemption reserve		**51**	51
Capital contribution reserve		**700**	700
Profit and loss account		**-**	-
Total equity		**827**	827

The group company, Optionis Limited, made neither a profit nor a loss during the year (2018: same).
The financial statements were approved by the board of directors on 28 February 2020.

William J Catterick
Director
Company registration no: 09199221
The accompanying notes on pages 25 to 59 form part of the financial statements.

OPTIONIS LIMITED – CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 OCTOBER 2019

Consolidated statement of changes in equity

	Share capital	Share premium	Capital redemption reserve	Accumulated losses	**Total equity attributable to owners**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 November 2017	81	4	42	(36,935)	**(36,808)**
Loss and total comprehensive expense	-	-	-	(2,012)	**(2,012)**
Repurchase of share capital	(9)	-	9	-	-
Balance at 31 October 2018	72	4	51	(38,947)	**(38,820)**
Loss and total comprehensive expense	-	-	-	(975)	**(975)**
Balance at 31 October 2019	**72**	**4**	**51**	**(39,922)**	**(39,795)**

Company statement of changes in equity

	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	**Total equity attributable to owners**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 November 2017	81	4	42	700	**827**
Repurchase of share capital	(9)	-	9	-	-
Balance at 31 October 2018	72	4	51	700	**827**
Balance at 31 October 2019	**72**	**4**	**51**	**700**	**827**

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

Amounts recognised in the 'Capital contribution reserve' relate to capital contributions to subsidiaries.

The accompanying notes on pages 25 to 59 form part of the financial statements.

OPTIONIS LIMITED – CONSOLIDATED STATEMENT OF CASHFLOWS
AS AT 31 OCTOBER 2019

		2019	2018
		£'000	£'000
Cash flows from operating activities			
Loss for the year		**(975)**	(2,012)
Adjustments for:			
Depreciation of property, plant and equipment	6	**476**	681
Amortisation of intangible assets	6	**2,801**	2,833
Finance income	9	**(88)**	(52)
Finance costs	8	**14,816**	17,456
Loss on disposal of property, plant and equipment	6	**51**	86
Other operating costs - exceptional	6	**156**	1,385
Taxation	10	**967**	741
(Increase) in debtors		**(34)**	(616)
Increase/(Decrease) in creditors		**86**	(561)
Cash generated from operations		**18,256**	19,941
Tax paid		**(856)**	(787)
Net cash generated from operating activities		**17,400**	19,154
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(297)**	(451)
Purchase of intangible assets	11	**(498)**	(85)
Management restructure	6	**(156)**	(1,484)
Acquisition of subsidiaries net of cash acquired	22	**-**	(2,384)
Interest received	9	**88**	52
Net cash outflow from investing activities		**(863)**	(4,352)
Cash flows from financing activities			
Finance cost transactions		**-**	(15)
Repayment of borrowings		**-**	(180)
Interest paid		**(15,242)**	(14,608)
Net cash outflow from financing activities		**(15,242)**	(14,803)
Net increase / (decrease) in cash and cash equivalents		**1,295**	(1)
Cash and cash equivalents at beginning of the year		**17,728**	17,729
Cash and cash equivalents at end of year		**19,023**	17,728
Comprised of:			
Cash at bank and in hand		**19,023**	17,728
Cash and cash equivalents at end of year		**19,023**	17,728

The accompanying notes on pages 25 to 59 form part of the financial statements.

OPTIONIS LIMITED – NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Group

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

Details of business combinations are given in note 22. A list of subsidiaries and their countries of incorporation is presented in note 13.

Company

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

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

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

2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value as set out below.

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

2. Summary of significant accounting policies (continued)

where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's result for the financial year was £nil (2018: £Nil).

Basis of consolidation and acquisition accounting

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

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

The acquisition method of accounting is used to account for business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recognised as goodwill. If the consideration transferred is less than the fair value of the net assets acquired, negative goodwill arises and is recognised directly in the income statement.

An estimation of the fair value is made for contingent consideration in accordance with IFRS 3 at the time of a business combination. Where there is a contractual obligation to settle the liability in cash based on events outside the Company's control this is accounted for as a financial liability and subsequent changes to the fair value of contingent consideration recognised as a financial liability are recognised in the income statement. Otherwise contingent consideration is accounted for as a credit to equity within other reserves and is not subsequently adjusted.

Going concern

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

The Board has reviewed the latest forecasts of the Group and considered the obligations of the Group's financing arrangements, the Group continues to operate well within its existing facilities and there are no concerns at this time in relation to the Group's ability to meet its quarterly covenants. Given the continued strong liquidity of the Group, the Board has concluded that a going concern basis of preparation of its consolidated financial statements is appropriate. Post year end, on 29 November 2019, there was a resetting of the covenants on the Group's borrowings. As part of this the covenants were waived at the year end and have since been amended. As part of this a £575,000 fee was incurred.

It is noted that there is new government legislation arising in April 2020 in relation to IR35. This is deemed to impact the business as it will affect the overall contracting industry with changes to how off-payroll workers are recognised and taxed. It is not deemed to have a material impact on going concern because

2. Summary of significant accounting policies (continued)

Going concern (continued)

the Group operates under several different brands and therefore any contractors that move because of IR35 are likely to use one of the other brands.

New standards, amendments and interpretations for the Optionis Limited group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 November 2018 and have been applied in preparing these consolidated financial statements. None of these have had a significant effect on the consolidated financial statements of the Group.

IFRS 15, 'Revenue from contracts with customers' introduces a new model for revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaced IAS 18 'Revenue' and related interpretations. The standard was effective for annual periods beginning on or after 1 January 2018. The Group has assessed the impact of IFRS 15 and does not deem it to have a material impact on the reported performance or position of the Group across the below three streams:

Accountancy

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

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

The treatment of the fee income for accountancy services under IFRS 15 being recognised monthly at a point in time is consistent with the recognition under IAS 18. The adoption of the standard is therefore not expected to have any impact on the group's reported results.

Umbrella

Optionis provides a range of umbrella services to contractors. The contractor will complete an assignment for an agency, who will then pay Optionis the agreed contract rate (after deducting their fee). Optionis recognises the gross revenue upon completion of the assignment and the cost of the contractor based on when a timecard is submitted. Once the contractor submits their timesheet, Optionis will transfer the remuneration due to the contractor after deducting the fee (margin).

It is deemed that there are two performance obligations, which are broken down into two elements –the work completed for the assignment; and the submission of the timesheet for the contractor.

There is an exception, which is an element of agency self-billing revenue. This is where the agency sets out what is to be charged and pays this based on a self-billed invoice in advance of a timecard being received. Similar to other Umbrella revenue, this amount is accrued and is released when a validated timecard is received.

2. Summary of significant accounting policies (continued)

New standards, amendments and interpretations for the Optionis Limited group (continued)

Umbrella (continued)

The treatment of the fee income for Umbrella services under IFRS 15 is consistent with the recognition under IAS 18. The adoption of the standard has therefore not had any impact on the group's reported results.

Tax

Optionis provides a CIS tax return service to contractors, whereby a rebate is obtained from HMRC based on an assessment completed by the group.

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

Each piece of work is separately identifiable by contractor as each CIS return is unique.

The treatment of the fee income for tax services under IFRS 15 is consistent with the recognition under IAS 18. The adoption of the standard has therefore not had any impact on the groups reported results.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaced the guidance in IAS 39 and has had an immaterial effect on the Group. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. It is noted that there have been changes for the Group in manner that impairment losses are recognised. Under IFRS 9, the Group has applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables (both current and non-current)). This has resulted in immaterially different provisions, but greater judgement, due to the need to factor in forward looking information when estimating the appropriate provisions. In applying IFRS 9, the Group considered the probability of a default occurring over the contractual life of its trade receivables on initial recognition of those assets.

The Group does not deem there to be a material impact on the reported performance or position of the Group. The determined expected credit loss is similar to the previous incurred loss model. This is because the vast majority of customers pay by direct debit and therefore the Group has determined there to be an immediate increase is risk of credit loss once an account balance is two months overdue. Therefore, the balance is to be fully provided for (with exceptions relating to assessed balances determined to be recoverable) once the aged debt has reached 60+ days to reflect the lifetime credit loss.

Historically, within the Group the write off rate has also been low and therefore there is minimal impact from this standard adoption.

2. Summary of significant accounting policies (continued)

New standards, amendments and interpretations for the Optionis Limited group (continued)

Macro-economic factors which could impact upon the rate include the new IR35 legislation. However, this is deemed to be immaterial due to other areas of the business offsetting the impact from this as the business covers both contractors and small businesses.

New standards and interpretations not yet adopted

IFRS 16, 'Leases', was issued in January 2016. The Group will apply the standard from its mandatory adoption date of 1 November 2019. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The standard will result in almost all operating leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability for lease payments will be recognised. The only exceptions are leases with a term of 12 months or less, or leases for which the underlying asset value is low. The accounting for lessors will not significantly change.

The Group currently lease a number of properties under operating lease contracts which will be impacted by the new standard. These types of leases can no longer be recognised as operating leases and will need to be brought onto the Group's balance sheet from the date of adoption of the new standard. The Group has elected to apply the following practical expedients:

- In determining whether existing contracts meet the definition of a lease, contracts previously identified as leases will be treated as applicable to the standard and those contracts not previously identified as leases will be excluded; and
- Leases for which the asset is of low value, for example IT equipment and licenses, will not be treated as they are not within the scope of the standard.

As at the reporting date, the Group has non-cancellable operating lease commitments of £4.7 million, see note 23. None of this relates to short-term or low value leases. For the lease commitments the Group expects to recognise right-of-use assets of approximately £3.1 million, for the year ended 31 October 2020 and lease liabilities of £3.2 million. Overall, the net assets will be approximately £0.1 million lower and net current assets will be approximately £0.7 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that for the reporting year ended 31 October 2020, profit before tax will be approximately £0.2 million lower due to adopting the standard. EBITDA is expected to increase by approximately £0.9 million as a result of operating lease payments previously being included in EBITDA, however the depreciation of the right-of-use asset and interest charges due to the unwinding of the discount will be excluded from this measure.

Operating cash flows will increase, and financing cash flows decrease by approximately £1 million (netting off to £nil) as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. Therefore, there is no change in the Group's cash flows as a result of adopting IFRS 16.

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

2. Summary of significant accounting policies (continued)Segment reporting

New standards and interpretations not yet adopted

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

Property, plant and equipment

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

Goodwill

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

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

Intangible assets

Computer software

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

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

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

Other intangible assets

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

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

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

2. Summary of significant accounting policies (continued)

Amortisation

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

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

The bases for choosing these useful lives are;

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

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

Impairment of non-financial assets

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

Investments

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

2. Summary of significant accounting policies (continued)

Exceptional items

Items which are significant by virtue of their size or nature which are considered non-recurring are classified as exceptional items. Such items, which include acquisition related deal costs and professional and legal costs in respect of potential exit and other strategic advice are included within exceptional items. Exceptional items are excluded from underlying profit measures used by the Board to monitor and measure the underlying performance of the Group and are presented separately within the notes to the accounts (see note 4).

Financial assets

Classification

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

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

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

2. Summary of significant accounting policies (continued)

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Cash and cash equivalents

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

Financial liabilities

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

Trade payables

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

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

Borrowings

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

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

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

2. Summary of significant accounting policies (continued)

Employee benefits

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

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

Provisions

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

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

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

Revenue

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

Accountancy

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

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

2. Summary of significant accounting policies (continued)

Revenue (continued)

Umbrella

Optionis provides a range of umbrella services to contractors. The contractor will complete an assignment for an agency, who will then pay Optionis the agreed contract rate (after deducting their fee). Optionis recognises the gross revenue upon completion of the assignment and the cost of the contractor based on when a timecard is submitted. Once the contractor submits their timesheet, Optionis will transfer the remuneration due to the contractor after deducting the fee (margin).

It is deemed that there are two performance obligations, which are broken down into two elements –the work completed for the assignment; and the submission of the timesheet for the contractor.

There is an exception, which is an element of agency self-billing revenue. This is where the agency sets out what is to be charged and pays this based on a self-billed invoice in advance of a timecard being received. Similar to other Umbrella revenue, this amount is accrued and is released when a validated timecard is received.

Tax

Optionis provides a CIS tax return service to contractors, whereby a rebate is obtained from HMRC based on an assessment completed by the group.

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

Each piece of work is separately identifiable by contractor as each CIS return is unique.

Income tax

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

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

2. Summary of significant accounting policies (continued)

Income tax (continued)

that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Share capital

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

Company

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

Exemptions for qualifying entities under FRS 102

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

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

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

3. Critical accounting judgements and estimates

Group

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

Significant estimates

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

Revenue recognition

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

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

Accountancy

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

Tax

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

Umbrella

It is deemed that there are two performance obligations, which are broken down into two elements –the work completed for the assignment; and the submission of the timesheet for the contractor.

3. Critical accounting judgements and estimates (continued)

Contracted WIP provision

The group recognises a provision for consultancy costs partially claimed on completed assignments. Based on analysis performed the group have assessed this and consider the provision should cover unclaimed amounts for a period of six months based on the actual evidence of the utilisation of this provision in previous years.

Impairment of goodwill, brands and customer lists

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

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

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulation by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Company

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

4. Segment reporting

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

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

(i) Exceptional costs

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

4. Segment reporting (continued)

	Year ended 31 October 2018				
	Accountancy services	Umbrella Contracting services	Tax Services	Other	Total
	£'000	£'000	£'000	£'000	£'000
Total revenues	**38,863**	**281,437**	**1,023**	**-**	**321,323**
Revenue less costs of employee contractors	**38,863**	**8,299**	**1,023**	**-**	**48,185**
Operating profit	**23,352**	**2,157**	**649**	**(10,025)**	**16,133**
Add back:					
Depreciation	344	317	3	17	681
Amortisation	1,587	1,246	-	-	2,833
Loss on disposal of property, plant and equipment	-	-	-	86	86
Adjusted EBITDA	25,283	3,720	652	(9,922)	19,733
Add back costs regarded as non-underlying:					
Exceptional costs	-	-	-	1,385	1,385
Adjusted EBITDA pre-exceptional costs	25,283	3,720	652	(8,537)	21,118

(i) Exceptional costs

Exceptional costs relating to acquisitions completed during the year, strategic advice regarding the group's conversion to IFRS and updating its corporate governance framework and related corporate finance advice regarding the preparations required were the group to undertake an IPO have been expensed to the income statement. These costs are considered a non-underlying exceptional cost as they are regarded as non-trading and non-recurring.

5. Revenue split

By product/service	**2019**	2018
	£'000	£'000
Rendering of services	**326,749**	321,323
Total	**326,749**	321,323

By product category		
Accountancy services	**38,121**	38,863
Tax services	**840**	1,023
Umbrella contracting services	**287,788**	281,437
Total	**326,749**	321,323

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

6. Expenses by nature

Operating profit is stated after charging:

	2019	2018
	£'000	£'000
Depreciation (note 12)	476	681
Amortisation of other intangible assets (note 11)	2,801	2,833
Operating lease expense	944	1,042
Loss on disposal of PPE	51	86
Cost of employee contractors (note 7)	280,042	273,138
Employee benefit expenses (note 7)	17,882	17,289
Exceptional costs	156	1,385
Other expenses	9,677	8,736
	312,029	305,190

Auditor's remuneration:

	2019	2018
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual accounts	50	12
Fees payable to the company's auditors and its associates for other services:		
Audit of the accounts of subsidiaries	96	168
Audit related assurance services	9	34
Tax compliance services	76	110
Tax advisory services	-	41
Other accountancy and assurance services	60	546
	291	911

7. Employees and directors

Staff costs for the Group during the year:

	2019	2018
	£'000	£'000
Wages and salaries	15,974	15,521
Social security costs	1,541	1,486
Other pension costs	367	282
	17,882	17,289

7. Employee and directors (continued)

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

	2019	2018
	£'000	£'000
Wages and salaries	**244,191**	237,073
Social security costs	**28,649**	27,654
Pension costs-defined contribution plans	**1,392**	1,575
Expenses	**5,810**	6,836
	280,042	273,138

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

	2019	2018
	£'000	£'000
Operations	**430**	437
Administration staff	**174**	152
Contracted out	**6,536**	6,799
	7,140	7,388

The key management of the Group comprise the directors. Further disclosure of the amounts paid to key management is included within note 24.

Directors Emoluments

Remuneration in respect of directors was as follows:

	2019	2018
	£'000	£'000
Short-term employment benefits	**642**	683
Other pension costs	**-**	15
	642	698

In addition, compensation for loss of office of £Nil was paid to one director (2018: £75,000).

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

The highest paid director received remuneration of £237,557 (2018: £251,033). The Group considers key management to be the directors of the business; see note 24 for further details.

8. Finance costs

	2019	2018
	£'000	£'000
Interest payable on secured borrowings (i)	**9,317**	9,300
Interest payable on loan notes (ii)	**4,939**	4,944
Amortisation of loan arrangement costs	**318**	2,889
Other interest payable	**242**	323
Total interest payable and similar charges	**14,816**	17,456

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

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

(ii) The loan notes relate to £34,319,658 (2018: £34,319,658) due to shareholders and £15,000,000 (2018: £15,000,000) due to vendors. All loan notes are repayable in full in September 2022. The interest rate on the loan notes is fixed at 10% and was settled quarterly until year end. Interest is no longer being paid but is being accrued on these loan notes. Interest on £6,554,039 (2018: £6,554,039) of the loan notes due to management would cease to become payable if those managers resigned their employment from the group.

Exceptional interest costs in the prior year relate to arrangement fees associated with the Group rolling credit facility.

9. Finance income

	2019	2018
	£'000	£'000
Bank interest receivable	88	52
	88	52

10. Taxation

Analysis of income tax charge:

	2019	2018
	£'000	£'000
Current tax on profits for the year	**1,370**	1,162
Adjustments in respect of prior years	**(117)**	(135)
Total current tax	**1,253**	1,027
Deferred tax on profits for the year		
Origination and reversal of temporary differences	**(286)**	(484)
Impact of change in tax rate	**-**	51
Adjustments in respect of prior years	**-**	147
Total deferred tax (note 19)	**(286)**	(286)
Income tax expense	**967**	741

10. Taxation (continued)

Factors affecting tax charge for the year

The effective tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.0% (2018: 19.00%). The differences are explained below:

	2019	2018
	£'000	£'000
(Loss) on ordinary activities before tax	**(8)**	(1,271)
(Loss) before corporation tax rate of 19.00% (2018: 19.00%)	**(2)**	(241)
Effects of:		
Expenses not deductible for tax purposes	**1,036**	1,025
Fixed asset and other timing differences	**-**	51
Adjustments in respect of prior years	**(117)**	12
Movements on deferred tax not recognised	**50**	(106)
Total taxation expense	**967**	741

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

11. Intangible assets

	31 October 2019				
	Goodwill	Brand	Customer Lists	Computer Software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 November 2017	162,017	1,842	14,081	819	178,759
Arising on business combination (note 22)	3,238	-	552	-	3,790
Additions	-	-	-	85	85
Disposals	-	-	-	(257)	(257)
At 31 October 2018	165,255	1,842	14,633	647	182,377
Additions	-	-	-	498	498
At 31 October 2019	**165,255**	**1,842**	**14,633**	**1,145**	**182,875**
Amortisation and impairment					
At 1 November 2017	36,973	153	1,848	283	39,257
Charge for the year	-	184	2,332	317	2,833
Disposals	-	-	-	(242)	(242)
At 31 October 2018	36,973	337	4,180	358	41,848
Charge for the year	-	184	2,389	228	2,801
At 31 October 2019	**36,973**	**521**	**6,569**	**586**	**44,649**
Net book value					
At 31 October 2019	**128,282**	**1,321**	**8,064**	**559**	**138,226**
At 31 October 2018	128,283	1,505	10,453	289	140,530
At 31 October 2017	125,045	1,689	12,233	536	139,503

11. Intangible assets (continued)

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

The brand and customer lists categories formed of the intangible assets recognised on the purchase of First Freelance Limited and First Umbrella Limited being the customer lists of the companies and with Optionis Midco Limited (previously Optionis Holdco Limited) being the brand and customer lists of Parasol and Clearsky Contractor Accounting. As at 31 October 2019, First Umbrella customer list had a useful remaining economic life of 0.5 years. The First Freelance Limited customer list had a remaining useful economic life of 0.5 years. The Parasol brand and customer list had a remaining useful economic life of 8 (2018: 9) and 8 (2018: 9) years respectively. The Clearsky Contractor accounting brand and customer list had a remaining useful economic life of 8 (2018: 9) and 1 (2018: 2) years respectively.

Impairment tests for goodwill

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

Goodwill by CGU	**£'000**	£'000
Accountancy services	**117,935**	117,935
Umbrella contracting services	**10,347**	10,347
Total	**128,282**	128,282

The group has recently obtained a number of third-party valuations for its enterprise value as part of the process to consider its strategic options. The directors have apportioned the enterprise value on a systematic basis consistent with how they review the carrying values of goodwill by segment. As the net realisable value of each segment based on this recent market evidence is clearly above the carrying value of goodwill and other operating assets as at 31 October 2019 no further work around assessing goodwill for impairment has been performed. The directors have considered the impact of any changes in market value noting that applying a sensitivity of 10% to market value would not cause an impairment and as such the requirement for sensitivity testing was considered to be not applicable.

The recoverable amount of the Accountancy and Umbrella CGUs have been determined based on fair value less costs to sell. The calculation of the fair value less costs to sell are based on the segmental EBITDA of the CGU in the year ended 31 October 2019, multiplied by a EBITDA multiple.

The key assumption in the fair value less costs to sell calculation is the EBITDA multiple, which was based on the IPO preparation work undertaken during the year, that included formal investor presentations.

Based on the results of the impairment tests performed, management believes there is no impairment of the carrying value of the goodwill in either the Accountancy or Umbrella CGU. Furthermore, management believes goodwill allocated to the Accountancy and Umbrella CGUs is unlikely to be materially impaired under any reasonable changes to the key assumption. As such no sensitivity analysis is presented.

Taking into account the IPO work undertaken and the offer received for the business from Mayfair, both of which occurred in the prior year, the most accurate method of assessing the valuation and potential impairment of the business is the above fair value less costs to sell approach.

11. Intangible assets (continued)

However, in order to provide further support to the lack of any impairment indicators being present, below is a summary of a value in use calculation based on the following key assumptions:

- 2% inflationary profit growth in future years;
- Group effective tax rate 10% which is above our current effective rate; and,
- WACC 10.66%.

The value in use calculated far exceeds the value of the debt free net assets.

If we were to undertake a more detailed approach the actual valuation, taking into account our strategic growth plans, the headroom would be even larger.

12. Property, plant and equipment

	31 October 2019		
	Long term leasehold properties	Fixtures fittings and office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 November 2017	1,013	1,422	2,435
Additions	18	433	451
Disposals	-	(616)	(616)
At 31 October 2018	1,031	1,239	2,270
Additions	31	266	297
Disposals	-	(51)	(51)
At 31 October 2019	**1,062**	**1,454**	**2,516**
Depreciation and impairment			
At 1 November 2017	237	562	799
Charge for the year	102	579	681
Disposals	-	(545)	(545)
At 31 October 2018	339	596	935
Charge for the year	96	380	476
At 31 October 2019	**435**	**976**	**1,411**
Net book amount			
At 31 October 2019	**627**	**478**	**1,105**
At 31 October 2018	692	643	1,335
At 31 October 2017	776	860	1,636

There are no assets which are used as security.

13. Investments

	Shares in group undertakings
	£'000
As at 31 October 2018 and 31 October 2019	700

Investments comprise equity shares in Optionis Group Limited which are not publicly traded. During the year the company received dividends of £nil (2018: £nil) from Optionis Group Limited.

13. Investments (continued)

Investments in subsidiaries

At 31 October 2019 the Group and the Company had interests in the following subsidiaries:

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

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

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

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

14. Trade and other receivables

Group	2019	2018
	£'000	£'000
Trade debtors	**5,761**	6,206
Provision for impairment of receivables	**(135)**	(144)
Net trade receivables	**5,626**	6,062
Prepayments and accrued income	**12,749**	12,358
Other receivables	**1,029**	948
Total trade and other receivables	**19,404**	19,368

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

	2019	2018
	£'000	£'000
Not past due	**5,165**	5,526
Past due 0 – 30 days	**418**	483
Past due 31 – 60 days	**72**	52
More than 60 days	**106**	145
	5,761	6,206

Company

Amounts owed by group undertakings	**127**	127
Total trade and other receivables	**127**	127

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

The Group had an allowance for expected credit losses of £135,000 (2018: £144,000). Expected credit loss has been determined as balances over two months due separately identified from those on payment terms.

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

15. *Cash and cash equivalents*

	2019	2018
	£'000	£'000
Cash at bank and in hand	**19,023**	17,728
Cash and cash equivalents	**19,023**	17,728

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

Cash at bank and in hand	**19,023**	17,728
Cash and cash equivalents	**19,023**	17,728

16. Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	**861**	1,028
Corporation tax	**763**	803
Other tax and social security payable	**22,085**	21,886
Accruals and other payables	**21,045**	21,493
	44,754	45,210
Non-current		
Other creditors	**298**	316
	45,052	45,526

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

17. Provision for liabilities

	2019	2018
	£'000	£'000
Dilapidation provision & Onerous leases provision	**632**	668
Contracted WIP	**567**	308
Other provisions	**445**	454
	1,644	1,430
Current	**1,012**	762
Non-current	**632**	668
	1,644	1,430

Movement in dilapidation & onerous leases provision

	2019	2018
	£'000	£'000
Opening balance	**668**	787
Arising on business combinations	**-**	18
Charged to income statement	**-**	56
Utilised	**(36)**	(193)
Closing balance	**632**	668

The dilapidations provision relates to the best estimate of future reparations costs in relation to leases occupied by the Group. The provision is expected to be utilised in line with the cessation of each of the leases. The provision in respect of onerous lease contracts represents the cost of fulfilling the Group's obligations for vacant property over the remaining lease term. The provision is expected to be utilised over the period to the end of each specific lease.

17. Provision for liabilities (continued)

Movement in contracted WIP

	2019	2018
	£'000	£'000
Opening balance	308	446
Credit/(charge) to income statement	(582)	666
Released	941	(684)
Utilised	(100)	(120)
Closing balance	567	308

The Group recognises a provision for consultancy costs partially claimed on completed assignments. Based on analysis performed the Group have assessed this and consider that the provision should cover unclaimed amounts for a period of six months based on the actual evidence of the utilisation of this provision in previous years.

Movement in other provisions

	2019	2018
	£'000	£'000
Opening balance	454	537
Utilised	(9)	(83)
Closing balance	445	454

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

18. Borrowings

	2019	2018
	£'000	£'000
Non-current		
Bank loans	120,000	120,000
Loan notes	49,392	49,392
Loan issue costs	-	(318)
Total non-current	169,392	169,074
Total borrowings	169,392	169,074

(i) Bank loans

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

The Group has a loan with Alcentra UK DLF S.A.R.L. of £120,000,000 (2018: £120,000,000, 2017: £120,000,000). The balance on this loan is repayable in full in December 2023. The interest rate on the loan is LIBOR, at a minimum of 0.75%, + 7% and settled quarterly.

18. Borrowings (continued)

(ii) Loan notes

The loan notes relate to £34,392,000 (2018: £34,392,000, 2017: £34,572,000) due to shareholders and £15,000,000 (2018: £15,000,000, 2017: £15,000,000) due to vendors. All loan notes are repayable in full in September 2022. The interest rate on the loan notes is fixed at 10% and was settled quarterly until year-end. Interest on £328,000 (2018: £6,554,000, 2017: £6,554,000) of the Loan Notes due to management would cease to become payable if those managers resigned their employment from the Optionis Limited Group.

19. Deferred tax

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

	2019	2018
	£'000	£'000
Deferred tax asset expected to unwind within 1 year	-	-
Deferred tax asset expected to unwind after 1 year	131	282
	131	282
Deferred tax liability expected to unwind within 1 year	(480)	(480)
Deferred tax liability expected to unwind after 1 year	(1,116)	(1,553)
	(1,596)	(2,033)

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

	2019	2018
	£'000	£'000
Brought forward balance	(1,751)	(1,945)
Arising on acquisition	-	(92)
Credited to the income statement	286	286
Carried forward balance	(1,465)	(1,751)
Deferred tax asset	131	282
Deferred tax liability	(1,596)	(2,033)
Net deferred tax liability at year-end	(1,465)	(1,751)

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

Deferred tax liabilities

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

19. Deferred tax (continued)

	31 October 2018		
	Intangibles arising on acquisition £'000	Accelerated capital allowances £'000	Total £'000
At 1 November 2017	(2,367)	(38)	(2,405)
Deferred tax on acquisition	(92)	-	(92)
Charged to the income statement	426	-	426
Reclassified to deferred tax assets	-	38	38
At 31 October 2018	(2,033)	-	(2,033)

Deferred tax assets

	31 October 2019			
	Accelerated capital allowances £'000	Share based payment £'000	Unused tax losses £'000	Total £'000
At 1 November 2018	162	-	120	282
Charged to the income statement	(31)	-	(120)	(151)
At 31 October 2019	131	-	-	131

	31 October 2018			
	Accelerated capital allowances £'000	Share based payment £'000	Unused tax losses £'000	Total £'000
At 1 November 2017	-	133	327	460
Charged to the income statement	200	(133)	(207)	(140)
Reclassified from deferred tax liabilities	(38)	-	-	(38)
At 31 October 2018	162	-	120	282

20. Financial instruments – risk management

Financial liabilities at amortised cost

	2019	2018
	£'000	£'000
Trade and other payables	22,342	22,837
Borrowings	169,392	169,074
Total	191,734	191,911

All financial assets are classified as loans and receivables.

Credit Risk

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

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

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

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

	2019	2018
	£'000	£'000
Not past due	5,165	5,526
Past due 0 – 30 days	418	483
Past due 31 – 60 days	72	52
More than 60 days	106	145
	5,761	6,206

The Group had an allowance for expected credit losses of £135,000 (2018: £144,000). Expected credit loss has been determined as balances over two months due separately identified from those on payment terms.

20. Financial instruments – risk management (continued)

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

	2019	2018
	£'000	£'000
At start of the year	145	180
Acquired on business combination	-	16
Provision for receivables impairment	292	136
Receivables written off during the year as uncollectable	(302)	(187)
At the end of the financial year	135	145

Market Risk

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

There are no material differences between the fair values and the book values stated above. The fair value is determined by reference to discounted cash flows at prevailing market rates for similar borrowings.

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

Liquidity Risk

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

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

At 31 October 2019	Less than one year £'000	Between one and five years £'000	Total £'000
Trade and other payables	22,342	-	22,342
Secured borrowings	9,300	149,450	158,750
Loan notes	4,939	58,859	63,798
Total	**36,581**	**208,309**	**244,890**

20. Financial instruments – risk management (continued)

	Timing of cash flows			
	Less than one year	Between one and five years	Greater than five years	Total
At 31 October 2018	£'000	£'000	£'000	£'000
Trade and other payables	22,521	316	-	22,837
Secured borrowings	9,300	37,200	121,550	168,050
Loan notes	4,939	63,798	-	68,737
Total	**36,760**	**101,314**	**121,550**	**259,624**

Fair value hierarchy

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

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

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

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

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

Capital Risk Management

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

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

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

21. Share Capital

	Number of shares	Share capital
		£'000s
At 1 November 2017	8,079,199	81
Buy back and redemption of 875,591 ordinary shares of £0.01 each	(875,591)	(9)
At 31 October 2018	7,203,608	72
At 1 November 2018 and at 31 October 2019	7,203,608	72

22. Business combinations

In the current year, there have been no business combinations.

In the prior year, on 2 March 2018, the group acquired 100% of the share capital of First Freelance Limited and First Umbrella Limited, incorporated in the UK for a consideration net of debt, of £4,498,000 satisfied by cash consideration. The investment in First Freelance Limited and First Umbrella Limited has been included in the acquiring company's balance sheet at its cost at the date of acquisition.

The following table summarises the consideration paid for First Freelance Limited and First Umbrella Limited, the fair value of assets acquired, and liabilities assumed at the acquisition date.

Consideration at 2 March 2018	£'000
Total cash consideration (100% holding)	**4,248**
Recognised amounts of identifiable assets acquired and liabilities assumed	
	Recognised values on acquisition
	£'000
Intangible assets	552
Trade and other receivables	137
Cash	1,864
Trade and other payables	(1,451)
Deferred tax liability	(92)
Total identifiable net assets	**1,010**
Goodwill	3,238
Total	**4,248**

Acquisition-related costs of £250,000 have been charged to exceptional expenses in the consolidated income statement for the year to 31 October 2018 in relation to the transaction.

Revenue of £1,456,000, EBITDA of £187,000 and profit after tax of £140,000 arose in the 8 months from acquisition to 31 October 2018 relating to the First Freelance Limited group.

Had First Freelance Limited been consolidated from 1 November 2017, the consolidated statement of income for the year to 31 October 2018 would show revenue of £320,580,000 and a loss for the year of £2,001,000.

23. Operating leases and commitments

The Group as lessee

Commitments under non-cancellable operating leases due are as follows:

	2019			2018		
	Land and Buildings	**Other**	**Total**	Land and Buildings	Other	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Within 1 year	**926**	**18**	**944**	844	29	873
Between 1 and 5 years	**3,175**	**7**	**3,182**	2,789	33	2,822
After 5 years	**577**	**-**	**577**	953	-	953
	4,678	**25**	**4,703**	4,586	62	4,648

The Group primarily has leases for properties. These leases run for periods up to 8 years, with an option to renew leases upon expiry. Lease payments are typically reviewed every five years.

24. Contingent liabilities

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

25. Related party transactions

Key management personnel compensation

All directors, who have authority and responsibility for planning, directing and controlling the activities of the company, are considered to be key management personnel. The remuneration in respect of these individuals for the year to 31 October 2019 was £642,000 (2018: £773,000).

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

	2019	2018
	£'000	£'000
Short-term employment benefits	**642**	683
Other pension costs	**-**	15
	642	698

In addition, compensation for loss of office of £Nil was paid to one director (2018: £75,000).

25. Related party transactions (continued)

Transactions with subsidiary companies and companies under common control

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

	2019	2018
	£'000	£'000
Sales due to SJD Insolvency Limited	**402**	374
Balance due from SJD Insolvency Limited	**(130)**	(130)
Loan notes balance due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP	**105**	105
Loan notes balance due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee	**617**	617
Loan notes balance due to D Kelly	**6,226**	6,226
Loan notes balance due to I Ahmed	**328**	328
Loan notes balance due to S Dolan	**15,000**	15,000
Loan notes balance due to Sovereign Capital	**27,116**	27,116
Accrued interest balance due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP	**3**	3
Accrued interest balance due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee	**16**	16
Accrued interest balance due to D Kelly	**157**	157
Accrued interest balance due to I Ahmed	**8**	8
Accrued interest balance due to S Dolan	**378**	378
Accrued interest balance due to Sovereign Capital	**683**	683
Loan note interest due to J Hodson	**-**	2
Loan note interest due to Nick Rawlings Limited Pension Scheme where N Rawlings is a Trustee	**-**	3
Loan note interest due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP	**8**	10
Loan note interest due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee	**46**	62
Loan note interest due to D Kelly	**466**	623
Loan note interest due to I Ahmed	**25**	33
Payment to a family member of one of the directors	**43**	74
	51,497	51,688

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

26. Post balance sheet events

Post year end, on 29 November 2019, there was a resetting of the covenants on the Group's borrowings.

27. Ultimate controlling party

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