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# Caroola Group Limited (previously Optionis Group Limited)

Annual report and financial statements

For the year ended 31 October 2022

Registered number: 09200209

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# Company information

| | |
|---|---|
| **Directors** | A Ross<br>C H O St John<br>G Storey<br>M Lockley<br>N Besson |
| **Registered number** | 09200209 |
| **Registered office** | 840 Ibis Court<br>Centre Park<br>Warrington<br>Cheshire<br>WA1 1RL |
| **Independent auditors** | BDO LLP<br>3 Hardman Street<br>Spinningfields<br>Manchester<br>M3 3AT |

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# Contents

**Strategic Report**
**For the year ended 31 October 2022**

**Principal activities**

The Group, headed by Caroola Group Limited (previously Optionis Group Limited), "the Group", is the market-leading professional services, specialising in accountancy, tax, payroll and umbrella employment solutions. Each of the brands that make up the Caroola family deliver excellent levels of client service, and we are always looking for opportunities to enhance this and further improve our clients' experience.

**Business review**

Our business continues to meet our clients and suppliers needs in an evolving market. Furthermore, we are constantly looking to evolve and identify opportunities for the future. To do this, we regularly undertake reviews of our internal teams and survey our customers to understand and meet their evolving needs.

This resulted in a key opportunity identified to develop our Digital presence. We have seen benefits in our online presence in terms of both generation of leads and joiners. During the year the Group has taken another step forward and developed a fully Digital checkout facility on our website which is unique in our market and this was launched in December 2021.

With this and our other offerings, we can support our clients and ensure our offering is evolving to deliver what is needed in a changing market.

Whilst 2022 was our first full year post Covid, the start of the year saw a continuation of the momentum built as we recovered from the impact of the Covid Pandemic. This was until unfortunately the Group was subject to a cyber incident in early January 2022. The incident resulted in a system outage across the Group which impacted our ability to service our clients while these systems were recovered. This one-off significant issue hampered our client service and resulted in a fall in our client numbers.

The incident was reported to the ICO and Caroola has continued to provide updates and answers to any requests received from the ICO in relation to the incident on a timely basis.

On 20 September 2022, we had a change of ownership when Sellco UK Limited (previously Optionis Limited) sold its investment in Caroola Group Limited (previously Optionis Group Limited) to Clareant Business Services Holdings 2 Limited. Following the change in ownership the ultimate parent of the Group became Clareant Business Services Holdings Limited, a company incorporated in the United Kingdom.

**Group operating results**

Net fee income for the year decreased by 13.9% to £32.1m (2021: £37.3m) while operating expenses have decreased 25.1% to £32.3m (2021: £43.1m) and when excluding depreciation, amortisation, loss on disposal and exceptional expenses, increased 6.7% to £27.1m (2021: £25.4m).

**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Business review (continued)**

### Group operating results (continued)

Adjusted EBITDA, which excludes interest, tax, depreciation, amortisation, loss on disposal and exceptional expenditure, decreased by 59.0% to £5.0m (2021: £12.2m) while adjusted EBITDA margin, calculated as adjusted EBITDA divided by net fee income, decreased to 15.6% (2021: 32.7%). A reconciliation of adjusted EBITDA is set out below:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Loss before interest and tax | **(18,733)** | (7,132) |
| Add back: Depreciation, amortisation and loss on disposal of property, plant and equipment | **5,214** | 17,701 |
| Add back: Exceptional costs | **18,505** | 1,645 |
| Adjusted EBITDA | **4,986** | 12,214 |

### Key performance indicators

The directors continue to monitor the business with several performance indicators which are reviewed as part of the monthly board meeting. The Group produces an annual budget, multi-year business plan and a full monthly management information pack detailing revenues, profit, cash flows and operational metrics. This information is also provided and reviewed with our investors on a monthly basis.

The impact of the cyber incident is the root cause of the negative variance in the key performance indicators, as prior to this, the Group saw a continuation of the momentum built on what was in many respects the strongest performance produced.

| | **2022** | 2021 | Variance |
|---|---|---|---|
| **Turnover** | **£914.7m** | £797.2m | 14.7% |
| **Net fee margin** | **£32.1m** | £37.3m | (13.9)% |
| **Adjusted EBITDA** | **£5.0m** | £12.2m | (59.0)% |

**Strategic Report (continued)**
**For the year ended 31 October 2022**

## Key performance indicators (continued)

Our business model has proven to be resilient, agile and adaptable at mitigating external factors including Covid-19, IR35, Brexit and a cyber incident with little to no impact on business continuity. Whilst substantial uncertainty remains in the UK and Global economies and recruitment market linked to the global uncertainties caused by the war in Ukraine and the inflationary cost of living challenge affecting the United Kingdom, we remain well placed to continue delivering our organic growth strategy, balancing investment in the business with prevailing market conditions, maintaining strict cost discipline and identifying inorganic growth opportunities that fit our culture. This belief is founded on our Group's business model and commitment to delivering exceptional client focused service.

## Going concern

The Group and Company regularly review market and financial forecasts and have 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 Group's latest forecasts, including sensitivities, prepared to 30 June 2024 and considered the obligations of the Group's financing arrangements. The Group expects headroom to operate within its facilities.

The Group's shareholders, Alcentra UK DLF S.A.R.L and its affiliated funds, continue to support the business and have provided an additional liquidity facility of £10m. Furthermore, on 18 November 2022 the intercompany balance due to the immediate parent company of £65.2m was forgiven in full. This is in addition to £70.9m of the intercompany balance due to the ultimate parent company being settled in exchange for shares on the same date. These strengthen the Group's net liabilities by £136.1m post year end and indicates continued support from the Group's shareholders.

Given the Groups liquidity and cash resources, and support from the equity and debt holders, the Board has concluded that a going concern basis of preparation of its consolidated financial statements is appropriate.

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**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Section 172 Statement**

The Board promotes the success of the Group for the benefit of a broad range of stakeholders that we recognise are material to the long-term future success of our business. We consider the impact on our stakeholders throughout all our discussions and decisions. Like any business, we are sometimes required to take decisions that adversely affect one or more of these Groups and, in such cases, we always look to ensure that those impacted are treated fairly. We have detailed below how the Board have ensured effective engagement with our key stakeholders during the year.

| Why they are important to our business: | How we engage to both consider their interests and needs and update them: |
|---|---|
| **Clients**<br><br>Our clients are the central focus of our business. The Group's ongoing success is built upon an ability to understand clients' needs and respond with solutions.<br><br>This allows us to anticipate how these needs will evolve and to provide services and products that meet their goals and build their future prosperity. | We engage with our clients through a variety of channels including:<br>• Periodic surveys to understand their needs, current challenges and concerns to ensure we evolve the business and its solutions to meet their needs.<br>• Engagement of a strategy consulting firm who have undertaken surveys of our clients and the wider agile workforce market to highlight how our offering should evolve to meet their needs.<br>• Regular webinars and podcasts to support and engage with our clients on changes affecting our industry.<br>• Publishing a blog to keep our umbrella base up to date with the latest guidance. |

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**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Section 172 Statement (continued)**

| | |
|---|---|
| **People**<br><br>Our people are our biggest asset and are central to the ongoing success of the Group.<br><br>Our people strategy aims to develop an agile workforce as we continue to attract, retain, develop and motivate the right people for our current and future business needs. | We engage with our people through the following activities:<br><br>• Bi-annual employee opinion survey.<br>• Ensuring every member of staff was involved in the development of our new vision and values with engagement sessions held by the executive and senior management team in every office.<br>• Regular 'Town Hall' meetings.<br>• Regular management briefings.<br>• Our monthly internal newsletter.<br>• Presentations by the executive team to discuss performance and the firm's new vision, values and strategic plan.<br><br>Additionally, given the unprecedented times we have all faced, the Board have ensured that the health, wellbeing and safety of our employees is and will continue to be the highest priority. |

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**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Section 172 Statement (continued)**

| | |
|---|---|
| **Shareholders and banking partners**<br><br>We rely on the support and engagement of our shareholders and banking partners to deliver our strategic objectives and grow the business.<br><br>Our shareholders are supportive of the long-term strategic approach and vision we take in the management of our business. | We engage with our shareholders through the following activities:<br>• To provide full visibility, representatives of our majority shareholder met monthly with the executive and non-executive Directors during the year ended 31 October 2022.<br>• On an at least monthly basis, meetings are held independently between our majority shareholder's representatives and our Chairman and CEO respectively. Post the change of control on 20 September 2022, these meetings comprised the Directors of the Company which includes representation from our new shareholders.<br>• Executive remuneration is agreed by the Remuneration Committee. To ensure the remuneration is aligned with shareholders needs and expectations, the proposed remuneration for each director and member of the executive management team is discussed with our majority shareholder prior to finalisation and approval. |

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**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Section 172 Statement (continued)**

| | |
|---|---|
| **Partners and regulators**<br><br>We recognise the importance of our various partners in delivering services to clients and ensure we have shared values.<br><br>We seek to build positive relationships with our regulators. Regulators provide key oversight of how we run our business. | We engage with our partners and regulators through the following activities:<br><br>• We ensure our payment terms with all suppliers are fair and in compliance with best payment practices.<br>• We maintain ongoing relations with our key suppliers and partners during the year in general and ensure we proactively engage on specific challenges or changes (internally or externally driven) quickly.<br>• We continue our work in the area of preventing modern slavery. Our latest Modern Slavery Statement can be found on our website.<br>• We are FCSA accredited and assessed annually.<br><br>We hold regular meetings with all our regulators (HMRC and other Government agencies) during the year and have a proactive and transparent relationship with them. |
| **Society and communities**<br><br>We recognise the responsibility we have to wider society and other key stakeholders. As a significant employer for several areas where we are based, the local communities are keen to ensure we are supporting and investing in local jobs, operating safely and ethically. | We engage with society and the communities in which we operate through the following activities:<br>• We offer a wide-ranging apprenticeship scheme and Caroola Group was named as a top 10 apprenticeship provider by the government alongside others HMRC, BT and the Armed Forces.<br>• On an annual basis we select a charity to support. |

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**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Section 172 Statement (continued)**

The table below shows the key events and decisions made by the Board during the year, the stakeholders they impacted and the associated actions taken by the directors to engage with the relevant stakeholders. Events are considered to be key if they are either material to the business or have a significant impact on one or more category of stakeholder.

| Key event and stakeholders affected | Actions and impact |
|---|---|
| **Sale process**<br>Affecting - Lenders and shareholders | • The Group discussed and agreed to a sale process in September 2022<br>• Regular updates on the timing and progress were given to both our investors and our banking partners. |

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**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Principal risks and uncertainties**

The Group has an active and robust corporate governance programme designed to manage strategic and tactical risks which could impact the business. Risks are clearly identified and monitored on a regular basis.

With clear objectives, and an experienced management team, the Group believes it is on course to achieve growth by being the pre-eminent national provider of accountancy, tax, payroll and umbrella employment services. The key risks and uncertainties currently facing the business are as follows:

*Operating risk*

Managing the Group's businesses is dependent upon the ability to process a large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, employee errors, failure to properly document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and business principles, resource shortages, equipment failures, natural disasters or the failure of external systems.

Although the Group has implemented risk controls and loss mitigation actions, and resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling the operational risks faced by the Group.

*Liquidity risk*

The Group has a low exposure to liquidity risks as it continues to generate free cash-flows, has sufficient liquid assets to manage any short-term liquidity issues and has flexibility in its financing. However, the Group is subject to banking covenants although these are not effective until 31 January 2024 and continues to monitor its commitments and liabilities to ensure that the Group is not exposed to liquidity risks. Alcentra UK DLF S.A.R.L and its affiliated funds have indicated to the Directors' their willingness to waive financial covenants, if required, once covenant testing commences.

*Credit risk*

The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for doubtful receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has policies aimed at minimising such losses and require that deferred payment terms are only granted to clients who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Any such terms must also be approved by the Chief Financial Officer. The Group has no significant concentration of credit risk, with exposure spread over a large number of clients.

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**Strategic Report (continued)**
**For the year ended 31 October 2022**
**Principal risks and uncertainties (continued)**

*Fraud risk management*

The Group has implemented risk controls and maintains such internal checks and accounting policies as it deems appropriate to prevent fraud within the Group.

Although resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in preventing fraud.

*Regulatory risk*

The Group operates within markets which are subject to extensive laws and regulations. These laws and regulations can be subject to change and the Group must ensure that it remains compliant. To ensure this, 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 and training delivered to all staff on changes to any service delivery compliance requirements.

*Interest rate risk*

Interest rate risk arises on borrowings and cash balances at floating interest rates. Changes in interest rates could have the effect of either increasing or decreasing the Group's net result. Under the Group's interest rate management policy, 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. Measurement of this interest rate risk and its potential volatility in the Group's reported financial performance is undertaken on a monthly basis.

This report was approved by the Board on 28 June 2023 and signed on its behalf:

DocuSigned by:
Mark Lockley
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**M Lockley**
**Director**

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## Directors' Report

**For the year ended 31 October 2022**

The Directors present their report and audited consolidated financial statements for the year ended 31 October 2022.

**Directors**

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

A Ross (appointed 23 February 2023)
C H O St John (appointed 16 September 2022)
G Storey (appointed 23 October 2022)
M Lockley (appointed 23 February 2023)
N Besson (appointed 16 September 2022)
D J Crawford (resigned 30 December 2022)
J Fletcher (appointed 14 November 2022, resigned 23 February 2023)
J S Newman (resigned 16 September 2022)
W J Catterick (resigned 14 November 2022)

**Business review and future developments**

The loss of the Group for the year was £36,126,000 (2021: £25,402,000). Further details on business review and future developments are provided within the Strategic Report. On 12 April 2023 the Company name was changed from Optionis Group Limited to Caroola Group Limited as a result of the Group's rebranding exercise.

**Dividends**

The Directors have not recommended the payment of a dividend (2021: £nil).

**Political donations**

No political donations were made during the year (2021: £nil).

**Employee engagement**

The Group engages with employees via frequent whole business updates from the Chief Executive Officer and senior management teams. There is a monthly Group wide newsletter which communicates both company and industry changes to all employees. The feedback from Employees is considered in all of the Group's actions. Each employee receives a half-yearly appraisal to evaluate their performance against the Group values, this appraisal is linked to changes in reward and remuneration. In addition, there is VIP reward scheme that gives awards to those that have delivered exceptional service. This is further discussed in the Section 172 statement, page 5.

**Directors' Report**

**For the year ended 31 October 2022 (continued)**

**Streamlined energy and carbon reporting**

The energy consumed by the company is in the form of fuel for transport purposes.

| **Greenhouse gas emissions** | **2022** | 2021 |
|---|---|---|
| | **kg $CO_2e$** | kg $CO_2e$ |
| **Scope 1 Direct emissions** | | |
| Transport: Employee Journeys travelled for business purposes | **23,219** | 4,367 |
| Transport: Umbrella contractor Journeys travelled for business purposes | **519,934** | 414,696 |
| **Scope 2 Indirect emissions** | | |
| Grid electricity purchased for use in offices | **61,068** | 111,200 |
| **Total Carbon emissions** | **604,221** | 530,263 |
| Carbon emissions per £1m Revenue | **661** | 665 |

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), Scopes 1, 2 and 3, and emission factors from the 2022 UK Government's GHG Conversion Factors for 2022 Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in kilogram CO2e per £1m of revenue. This is the consensus ratio for the sector.

Data assumptions

Assumptions have been applied where data cannot be obtained. This includes the estimation of electricity usage for a small number of properties. Where there is no data available, usage is determined by reference to the usage per square foot of comparable properties. Where data is incomplete, averages have been applied based on available data to calculate annual usage.

Global GHG emissions

The GHG emissions are from 1st November 2021 to 31 October 2022. We have seen a small decrease in our CO2e kgs per £1m of revenue of 1% (2021: reduction of 66%). A detailed breakdown is provided in the table above compared against the prior year.

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**Directors' Report**
**For the year ended 31 October 2022 (continued)**
**Streamlined energy and carbon reporting (continued)**

To minimise our carbon emissions, employees are encouraged to communicate via technology wherever possible and to power off all non-essential electrical items outside of office hours. The nature of the services provided means that some face-to-face meetings are required. The opportunity for the company to reduce emissions output by the Umbrella contractors is extremely minimal, these are out of the control of the company.

The nature of the services provided, largely office based services, means that the company has minimal impact on the environment with low greenhouse gas emissions.

**Financial risk management**

Measures taken towards financial risk management are set out within the Strategic Report above.

**Directors' liabilities**

The company has granted an indemnity to 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.

**Post balance sheet events**

On 18th November 2022, the intercompany balance of £65,182,000 between Clareant Business Services Holdings 2 Limited, the Company's immediate parent undertaking was forgiven by way of a capital contribution. Furthermore, on the same date £70.9m of the Group's intercompany balance due to the ultimate parent company was settled in exchange for shares.

**Going concern**

The Directors' assessment of going concern is set out on page 4, within 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.

**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 and parent 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).

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**Directors' Report**
**For the year ended 31 October 2022 (continued)**
**Statement of directors' responsibilities in respect of the financial statements (continued)**

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 parent company and of the profit or loss of the Group and parent 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 United Kingdom Accounting Standards, comprising FRS 102, have been followed, 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 parent company will continue in business.

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

**Disclosure of information to auditor**

The Directors at the time when this Directors' Report is approved have confirmed that:

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

**Independent auditors**

The auditors BDO LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

This report was approved by the Board on 28 June 2023 and signed on its behalf:

DocuSigned by:
Mark Lockley
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**M Lockley**

**Director**

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**Corporate Governance Report for the year ended 31 October 2022**

The Board recognises the importance of good corporate governance in facilitating effective, entrepreneurial and prudent management that can support the long-term success of the company and delivery of all of its stakeholders' objectives. The Company is not quoted and therefore is not required to comply with the UK Corporate Governance Code (the Code). However, the Company is required to consider the Wates Principles (the Principles), which were originally published in 2018. Prior to this requirement the Board had already developed, and continues to keep under review, its own governance arrangements. In practice this has meant adopting and reflecting elements of the Code where we consider they are appropriate for a group of our size and complexity and now having regard to the corporate governance arrangements set out in the Principles. Corporate Governance is overseen at a board level, the Board sits over all companies of the Caroola Group.

**Purpose and strategic leadership**

The role of the board is to establish the purpose, vision and strategy for the company, to deliver shareholder value and be responsible for the long-term success of the Group. Individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans. The Board oversees all the companies in the Caroola Group. It comprised a non-executive Chairman and two executive Directors during the year. The directors are supported by the Executive Management team which is comprised of a further 5 senior executive leaders. All members of the Executive Management team submit reports directly to the Board on a monthly basis and also attended the monthly board meetings, when required, to present on their business area directly.

The members of the Board and Executive Management team maintain the appropriate balance of experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities and to ensure that the requirements of the business can be met. The Board, with the support of the Executive Management team, acknowledges its collective responsibility for ensuring the long-term success of the Group by demonstrating strong leadership, setting strategy and business models, managing performance and ensuring the necessary resources are in place to deliver. It also holds itself accountable for looking after the needs of all its stakeholders, including employees, shareholders and the broader community and environment.

**Composition of the board and Executive Management team**

A strong feature of the Board's effectiveness in delivering the strategy is our inclusive and open style of management and a free flow of information between the executive Directors and non-executive Chairman and non-executive Directors, the executive management team and our majority investors who had two representatives in attendance at all board meetings throughout 2022. The conduct of these meetings encourages individuals to discuss matters openly and freely and to make a personal contribution through the exercise of their personal skills and experience. Consequently, no individual or group of individuals dominate the Board's decision-making process.

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**Corporate Governance Report for the year ended 31 October 2022 (continued)**

**Composition of the board and Executive Management team (continued)**

Vacancies on the Board and Executive Management team are filled following a rigorous evaluation of candidates who possess the required balance of skills, knowledge and experience, using recruitment consultants where appropriate. All decisions to recruit at the Board or Executive Management team level are recommended by the Chief Executive Officer to the Chairman for approval. Once approved the process for the appointment of directors is managed by the Group's Chief People Officer. The Group recognises the importance of diversity at board and Executive Management level and that the Group comprises individuals with a wide range of skills and experience from a variety of business backgrounds.

During the year, the composition of the Board changed following the change of ownership in September 2022. As a result of this transaction the Board has been updated and comprises the two executive Directors, a new independent non-executive Chairman, a non-executive Director with previous experience alongside the Group's new owner and a non-executive Director who is a representative of the Group's new owner.

**Board responsibilities**

**Division of responsibilities**

There is a clear division of responsibilities between the role of the Chairman and that of the Chief Executive Officer of the Group. The primary responsibility of the Chairman is to lead and manage the Board and that of the Chief Executive Officer is to manage the business of the Group.

**The Chairman**

The Chairman is responsible for leading the Board, setting its agenda and ensuring its effectiveness in all aspects of its role. He works closely with the Chief Executive Officer on developing Group strategy and provides general advice and support without directly being involved in day-to-day management of delivery. He also promotes effective and constructive dialogue and challenge between the executive Directors and non-executive Directors, Executive Management team and the Group's majority shareholders.

**The Chief Executive Officer**

The Chief Executive officer's principal responsibility is to manage the Group's business and to lead the executive management team. He is responsible for ensuring the Executive Management team deliver on the agreed strategic objectives set by the board and maintaining strong relationships with the Chairman, the Board and key shareholders and stakeholders.

**Board committees**

The board has delegated specific authority to the Audit Committee and the Remuneration Committee.

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**Corporate Governance Report for the year ended 31 October 2022 (continued)**

**Board committees (continued)**

The Audit Committee has the primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors. The Audit Committee meets at least twice a year.

The Remuneration Committee reviews the performance of the Executive Directors and Executive Management team and determines their terms and conditions of service, including their remuneration and the award of any equity- based remuneration. In practice, the Remuneration Committee engages with the Group's majority shareholder prior to finalising recommendations of both the executive directors' and Executive Management team's remuneration. This open and proactive approach ensures that there is a clear alignment between the remuneration of directors and Executive Management and our delivery of our strategy. The Committee also agrees all board and Executive Management team vacancies and approves the recommended candidates to fill such vacancies as and when they arise. The Remuneration Committee will meet at least annually and additionally as required.

**Risk Management**

The Group's corporate objective is to maximise long-term shareholder value. In doing so, the Directors recognise that creating value is a reward for taking and accepting risk. The directors consider risk management to be crucial to the Group's success and give a high priority to ensuring that adequate systems are in place to evaluate and limit risk exposure.

**Internal control and financial reporting**

The Board are responsible for the Company's system of internal control and for reviewing its effectiveness across its operations. The Company's system of internal financial control includes restrictions on payment authorisations and execution and, where appropriate and possible, duties are segregated. The annual budgeting, forecasting and monthly management reporting system, which applies throughout the Group, enables trends to be evaluated and variances to be acted upon. The Group board and Executive Management team receive monthly financial information on results and other performance data and reviews financial and performance data at each of its monthly meetings.

Any system of internal control, however, Is designed to manage, rather than eliminate the risk of failure to achieve business objectives and client outcomes. In establishing and reviewing the system of internal controls the directors consider the nature and extent of relevant risks, the likelihood of a loss being incurred and costs of control.

**Going concern**

The company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Review. In addition, the Strategic Review refers to the Group's capital position and cash flows.

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**Corporate Governance Report for the year ended 31 October 2022 (continued)**

### Going concern (continued)

In carrying out their duties in respect of going concern, the Directors carry out a review of the Group's financial position and cash flow forecasts for the foreseeable future.

These are based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

### Stakeholder relationships and engagement

The Board is keen to ensure ongoing and effective communication with all stakeholders. Further reading on stakeholder engagement can be found in our Section 172 statement on pages 5 to 9.

The Corporate Governance Report for the year ended 31 October 2022 was approved by the Board on 28 June 2023 and signed on its behalf by:

DocuSigned by:
Mark Lockley
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**M Lockley**
**Director**

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

### Opinion on the financial statements

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 2022 and of the Group's loss for the year then ended;
- the 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.

We have audited the financial statements of Caroola Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 October 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

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.

### Conclusions relating to going concern

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

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

### Conclusions relating to going concern (continued)

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

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

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report, the Directors' Report and the Corporate Governance 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.

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

We have nothing to report in this regard.

### Other Companies Act 2006 reporting

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

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

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 or the Directors' Report.

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

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

### Other Companies Act 2006 reporting (continued)

- 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.

### 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.

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

### Auditor's responsibilities for the audit of the financial statements (continued)

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements.

These included but were not limited to those that relate to the form and content of the financial statements, such as the accounting policies, United Kingdom Generally Accepted Accounting Practice, the UK Companies Act 2006 and those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions and judgements made by management in their significant accounting estimates;
- revenue year end cut-off procedures;
- identifying and testing journal entries, in particular any journal entries posted with specific keywords and manual journals to revenue and cash;
- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

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

### Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:
Gary Harding
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Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester, UK

28 June 2023

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

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# CAROOLA GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### For the year ended 31 October 2022

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | **£'000** | £'000 |
| Turnover | 5 | **914,728** | 797,242 |
| Cost of sales for contracted employees | 9 | **(882,638)** | (759,906) |
| **Net fee margin** | | **32,090** | 37,336 |
| Operational employee costs | 9 | **(16,113)** | (16,202) |
| Depreciation, amortisation and loss on disposal of property, plant and equipment | 8 | **(5,214)** | (17,701) |
| Other administrative expenses | | **(10,991)** | (9,193) |
| **Total operating expenses** | | **(32,318)** | (43,096) |
| Other income | 6 | **-** | 273 |
| **Operating loss before exceptional costs** | | **(228)** | (5,487) |
| Exceptional costs | 6 | **(18,505)** | (1,645) |
| **Loss before interest and tax** | | **(18,733)** | (7,132) |
| Interest payable and similar expenses | 7 | **(18,103)** | (18,767) |
| **Net interest expense** | | **(18,103)** | (18,767) |
| **Loss before taxation** | 8 | **(36,836)** | (25,899) |
| Tax credit for the year | 10 | **710** | 497 |
| **Loss for the financial year** | | **(36,126)** | (25,402) |

All operations relate to continuing activities.

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

The notes on pages 30 to 56 form part of these financial statements.

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# CAROOLA GROUP LIMITED

## CONSOLIDATED BALANCE SHEET

### As at 31 October 2022

| | Note | 2022 | 2021 Restated* |
|---|---|---|---|
| | | £'000 | £'000 |
| **Fixed assets** | | | |
| Intangible assets | 11 | **4,883** | 10,667 |
| Property, plant and equipment | 12 | **680** | 622 |
| | | **5,563** | 11,289 |
| **Current assets** | | | |
| Debtors | 14 | **63,485** | 79,402 |
| Cash at bank and in hand | | **38,168** | 70,525 |
| **Total current assets** | | **101,653** | 149,927 |
| **Creditors falling due in less than 1 year** | | | |
| Creditors | 15 | **(266,481)** | (232,310) |
| **Total current liabilities** | | **(266,481)** | (232,310) |
| **Net current liabilities** | | **(164,828)** | (82,383) |
| **Creditors due greater than 1 year** | | | |
| Creditors | 16 | **(50,875)** | (108,000) |
| Provisions for liabilities | 17 | **(7,428)** | (1,765) |
| Deferred tax liabilities* | 18 | - | (710) |
| **Total creditors due greater than 1 year** | | **(58,303)** | (110,475) |
| **Net liabilities** | | **(217,568)** | (181,569) |
| **Capital and reserves** | | | |
| Called-up share capital | 19 | - | - |
| Share premium | 19 | **127** | - |
| Profit and loss account | 20 | **(217,695)** | (181,569) |
| **Total Equity** | | **(217,568)** | (181,569) |

*See Note 18 for a description of the presentational restatement made. There is no effect on any other reported accounts and no effect on the net asset position or the results of the Group.

The financial statements were approved by the board of directors on 28 June 2023.

Signed on behalf of the board of directors:

DocuSigned by:

Mark Lockley

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M Lockley
Director
Company registration number: 09200209
The notes on pages 30 to 56 form part of these financial statements

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# CAROOLA GROUP LIMITED

## COMPANY BALANCE SHEET

### As at 31 October 2022

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Fixed assets** | | | |
| Intangible assets | 11 | **4,810** | 1,408 |
| Tangible assets | 12 | **580** | 389 |
| Investments | 13 | **1** | 1 |
| | | **5,391** | 1,798 |
| **Current assets** | | | |
| Debtors | 14 | **1,924** | 6,619 |
| Cash at bank and in hand | | **1,836** | 3,267 |
| **Total current assets** | | **3,760** | 9,886 |
| **Creditors falling due in less than 1 year** | | | |
| Creditors | 15 | **(67,133)** | (60,701) |
| **Net current liabilities** | | **(63,373)** | (50,815) |
| **Creditors falling due in more than 1 year** | | | |
| Deferred tax liabilities | 18 | **-** | (144) |
| Provisions for liabilities | 17 | **(451)** | - |
| **Total creditors due more than 1 year** | | **(451)** | (144) |
| **Net liabilities** | | **(58,433)** | (49,161) |
| **Equity** | | | |
| Called up share capital | 19 | **-** | - |
| Share premium | 19 | **127** | - |
| Profit and loss account | | **(58,560)** | (49,161) |
| **Total equity** | | **(58,433)** | (49,161) |

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss of the Company for the year was £9,399,000 (2021: £6,781,000).

The financial statements were approved by the board of directors on 28 June 2023.

Signed on behalf of the board of directors:

DocuSigned by:
Mark Lockley
48B6F2AC02F8478...

M Lockley
Director
Company registration number: 09200209
The notes on pages 30 to 56 form part of these financial statements.

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# CAROOLA GROUP LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 31 October 2022**

| | | 2022 | 2021 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Cash flows from operating activities** | | | |
| Loss for the financial year | | **(36,126)** | (25,402) |
| Adjustments for: | | | |
| Depreciation of tangible assets | 12 | **446** | 439 |
| Amortisation of intangible assets | 11 | **4,700** | 16,940 |
| Impairment of intangible assets | 11 | **4,683** | - |
| Exceptional provisions | 6 | **4,690** | - |
| Interest payable and similar expenses | 7 | **18,103** | 18,767 |
| Loss on disposal of fixed assets | 8 | **69** | 322 |
| Tax credit for the year | 10 | **(710)** | (497) |
| Decrease/(increase) in debtors | | **14,477** | (43,657) |
| (Decrease)/increase in creditors | | **(30,620)** | 71,048 |
| **Cash (outflow)/inflow operations** | | **(20,288)** | 37,960 |
| Corporation tax payments | | **-** | (56) |
| **Net cash (outflow)/inflow operating activities** | | **(20,288)** | 37,904 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of tangible assets | | **(573)** | (473) |
| Purchase of intangible assets | | **(3,499)** | (1,249) |
| Proceeds from sale of tangible assets | | **-** | 170 |
| Interest received | | **2** | - |
| **Net cash outflow from investing activities** | | **(4,070)** | (1,552) |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(7,999)** | (13,277) |
| **Net cash outflow from financing activities** | | **(7,999)** | (13,277) |
| | | | |
| **Net change in cash and cash equivalents** | | **(32,357)** | 23,075 |
| Cash and cash equivalents at beginning of the year | | **70,525** | 47,450 |
| **Cash and cash equivalents at end of year** | | **38,168** | 70,525 |
| | | | |
| **Comprised of:** | | | |
| Cash at bank and in hand | | **38,168** | 70,525 |
| **Cash and cash equivalents at end of year** | | **38,168** | 70,525 |

The notes on pages 30 to 56 form part of these financial statements.

# CAROOLA GROUP LIMITED

## CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 October 2022**

| | Called-up share capital £'000 | Share premium £'000 | Profit and loss account £'000 | Shareholders' deficit £'000 |
|---|---|---|---|---|
| At 1 November 2020 | - | - | (156,167) | **(156,167)** |
| Loss for the year | - | - | (25,402) | **(25,402)** |
| At 31 October 2021 | - | - | (181,569) | **(181,569)** |
| Shares issued | - | 127 | - | **127** |
| Loss for the year | - | - | (36,126) | **(36,126)** |
| **At 31 October 2022** | **-** | **127** | **(217,695)** | **(217,568)** |

## Company

| | Called-up share capital £'000 | Share premium £'000 | Profit and loss account £'000 | Shareholders' deficit £'000 |
|---|---|---|---|---|
| At 1 November 2020 | - | - | (42,380) | **(42,380)** |
| Loss for the year | - | - | (6,781) | **(6,781)** |
| At 31 October 2021 | - | - | (49,161) | **(49,161)** |
| Shares issued | - | 127 | - | **127** |
| Loss for the year | - | - | (9,399) | **(9,399)** |
| **At 31 October 2022** | **-** | **127** | **(58,560)** | **(58,433)** |

The notes on pages 30 to 56 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 31 October 2022**

## 1. Company information

Caroola Group Limited is a limited liability company incorporated and domiciled in United Kingdom.

The Registered Office is 840 Ibis Court, Centre Park, Warrington, Cheshire, WA1 1RL.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 October 2022.

## 2. Basis of preparation

The Group and 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.

The financial statements are presented in Sterling which is the functional currency of the company, and rounded to the nearest £'000.

The Group financial statements consolidate the financial statements of Caroola Group Limited and all its subsidiary undertakings drawn up to 31 October each year.

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

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

**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 accounts of Caroola Group Limited have also adopted the following disclosure exemptions:

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

**Going concern**

The Group and Company regularly review market and financial forecasts and have 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.

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**2 Basis of preparation (continued)**

**Going concern (continued)**

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 Group's latest forecasts, including sensitivities, prepared to 30 June 2024 and considered the obligations of the Group's financing arrangements. The Group expects headroom to operate within its facilities.

The Group's shareholders, Alcentra UK DLF S.A.R.L and its affiliated funds, continue to support the business and have provided an additional liquidity facility of £10m. Furthermore, on 18 November 2022 the intercompany balance due to the immediate parent company of £65.2m was forgiven in full. This is in addition to £70.9m of the intercompany balance due to the ultimate parent company being settled in exchange for shares on the same date. These strengthen the Group's net liabilities by £136.1m post year end and indicates continued support from the Group's shareholders.

Given the Groups liquidity and cash resources, and support from the equity and debt holders, the board has concluded that a going concern basis of preparation of its consolidated financial statements is appropriate.

**3. Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

**Revenue recognition**

It is management's judgement that 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 their employees the Company is considered to be a principal in the arrangement in line with FRS 102 section 23.21.

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.

**3. Significant judgements and estimates (continued)**
**Revenue recognition (continued)**

Whilst the different treatment would impact the quantum of revenue and cost of sales for contracted employees it would have no effect on the reported earnings before interest, tax, depreciation or amortisation of the Group.

**Contractor 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.

**Taxation**

Deferred tax arises in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as either other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 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 tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liabilities 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 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.

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## 4. Principal accounting policies

### 4.1 Basis of consolidation

The results of subsidiaries acquired or disposed of during the period 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.

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.

### 4.2 Investments

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

### 4.3 Intangible assets

Goodwill represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Amortisation is charged so as to allocate the cost of the goodwill over its estimated useful lives, using the straight-line method. Goodwill and intangible assets, are amortised over the following useful economic lives:

| | |
|---|---|
| - Goodwill | 5 years |
| - Brand name & Customer relationships | 3 - 10 years |
| - Computer Software and Website | 3 years |

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the statement of comprehensive income.

### 4.4 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

| | |
|---|---|
| - Long-term leasehold properties | term of lease |
| - Fixtures, fittings and office equipment | 4 years |

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**4. Principal accounting policies (continued)**

**4.5 Leases**

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

**4.6 Provisions for liabilities**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

The Group recognises a provision for dilapidations which represents the best estimate of future reparations costs in relation to leases occupied by the Group.

**4.7 Taxation**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the company is able to control the reversal of the timing difference; and

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**4. Principal accounting policies (continued)**

**4.7 Taxation (continued)**

- it is probable that the timing difference will not reverse in the foreseeable future. A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense/(income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.8 Turnover**

Turnover represents the fair value of consideration received or receivable from the sale of consultancy services. Fair value reflects the amount agreed in the form of contractual charges for each type of service. Fee income is stated net of amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes.

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Right to consideration is based on the Company confirming completion of its contractual obligations in relation to the services provided.

Services provided to clients during the year which at the year-end have not been invoiced to clients are recognised as fee income and accrued within the statement of financial position. Amounts which have been invoiced as at the year-end but where the service has not been delivered at that time are included within deferred income within the statement of financial position.

The contractor will complete an assignment for an agency who will then pay the Group the agreed contract rate (after deducting their fee). The Group will then recognise the gross revenue in respect of this assignment and the cost of the contractor. Once the contractor then submits their timesheet, the Group will transfer the remuneration due to the contractor to them after deducting the fee (margin).

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**4. Principal accounting policies (continued)**

**4.8 Turnover (continued)**

This means that there are two elements of revenue recognised: the gross revenue received from the agency which is recognised when the money is received from the agency (which is net nil as it is equal to the cost of the contactors), and the margin recognised when processing timesheets.

**4.9 Exceptional items**

The Group classifies certain non-underlying items that have a significant impact on the Group's financial results as 'exceptional items'. These are disclosed separately (see Note 6) to provide further understanding of the financial performance of the Group.

**4.10 Employee benefits**

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

**4.11 Financial instruments**

The Group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**4.11.1 Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

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

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**4. Principal accounting policies (continued)**

**4.11 Financial instruments (continued)**

**4.11.1 Financial assets (continued)**

Financial assets are derecognised when: (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**4.11.2 Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**4.12 Government Grants**

Grants are of a revenue nature and are recognised in the income statement within "other income" in the same period as the related expenditure. The Group has received income from the Coronavirus Job Retention Scheme during the prior period.

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## 5. Turnover

The Group trades within one geographical location, the United Kingdom.

Turnover is split based on the Group's operating segments comprising Limited Company business services provided to small businesses and personal service companies, Umbrella business consisting of provision of contractors to customers and Tax Services business being the production and submission of tax returns and similar products for clients.

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Limited company business services | **16,717** | 23,768 |
| Umbrella business | **897,135** | 773,204 |
| Tax Services business | **876** | 270 |
| | **914,728** | 797,242 |

## 6. Exceptional costs

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Restructuring costs | **6,310** | 1,242 |
| Sale costs | **2,822** | 403 |
| Impairment of intangible assets | **4,683** | - |
| Payroll tax provision | **4,690** | - |
| | **18,505** | 1,645 |
| Furlough income | **-** | (273) |
| | **18,505** | 1,372 |

Exceptional costs in both years relate to the restructuring of the management team, office closures, sale costs and other items. These costs are considered a non-underlying exceptional cost as they are regarded as non-trading and non-recurring. During the year ended 31 October 2022, the Goodwill, Brand name and Customer Relationship intangible assets were deemed to be impaired and therefore a charge was recognised. Furthermore, a provision has been recognised for a settlement proposal to HMRC in relation to an open payroll tax enquiry.

During the year ended 31 October 2021, exceptional costs were incurred in relation to the additional costs associated with supporting furlough for Umbrella employees.

## 7. Interest payable and similar expenses

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Interest on bank debt | **7,210** | 8,532 |
| Interest on loan notes | **10,713** | 10,022 |
| Other interest payable and similar charges | **180** | 213 |
| | **18,103** | 18,767 |

## 8. Loss before taxation

The loss before taxation is stated arrived at after charging/(crediting):

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Operating lease charges | **884** | 809 |
| Amortisation (Note 11) | **4,700** | 16,940 |
| Impairment of intangible assets (Note 11) | **4,683** | - |
| Depreciation (Note 12) | **446** | 439 |
| Loss on disposal | **69** | 322 |
| Government grants (Coronavirus Job Retention Scheme) | **-** | (273) |
| ***Auditors' remuneration*** | | |
| Fees payable to the company's auditors for the audit of the company's annual financial statements | **73** | 66 |
| Fees payable to the company's auditors for other services: | | |
| Audit of the financial statements of subsidiaries | **139** | 109 |

## 9. Directors and employees

Staff costs during the year for the Group were as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **14,264** | 14,586 |
| Social security costs | **1,453** | 1,244 |
| Other pension costs | **396** | 372 |
| | **16,113** | 16,202 |

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

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **753,910** | 661,071 |
| Social security costs | **98,002** | 78,928 |
| Other pension costs | **27,609** | 17,556 |
| Expenses | **3,117** | 2,351 |
| | **882,638** | 759,906 |
| Furlough payments | **-** | 273 |
| | **882,638** | 760,179 |

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**9. Directors and employees (continued)**

The average number of employees of the Group during the year was:

| | **2022** | 2021 |
|---|---|---|
| | **Number** | Number |
| Operations | **295** | 304 |
| Administration | **170** | 167 |
| Contracted out | **12,217** | 11,252 |
| | **12,682** | 11,723 |

Contracted out employees represent employees contracted out to third parties.

Staff costs during the year for the Company were as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **1,306** | 3,912 |
| Social security costs | **160** | 513 |
| Other pension costs | **31** | 104 |
| | **1,497** | 4,529 |

All operations and administrative staff costs between October 2021 until March 2022 were borne by the Company. Post March 2022, these costs were borne by Caroola Accountancy Limited, a fellow Group company.

The average number of employees of the Company during the year was:

| | **2022** | 2021 |
|---|---|---|
| | **Number** | Number |
| Operations | **-** | 4 |
| Administration | **54** | 167 |
| | **54** | 171 |

**Directors Emoluments**

Remuneration in respect of directors was as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Emoluments | **514** | 515 |
| | **514** | 515 |

£50,500 compensation for loss of office was paid during the year ended 31 October 2022 in addition to the emoluments above (2021: £nil).

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**9. Directors and employees (continued)**

Directors' emoluments were paid by Caroola Group Limited.

There was 1 director in the Group's defined contribution pension scheme (2021 – 1) with employer contributions of £4,000 (2021: £4,000).

Emoluments of the highest paid director were £259,008 (2021 - £261,801). Company pension contributions of £nil (2021 - £nil) were made to a pension scheme on his behalf.

**10. Tax credit for the year**

The tax credit is based on the result for the year and represents:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| UK Corporation Tax | **-** | - |
| Adjustments in respect of prior periods | **-** | (5) |
| **Total current tax** | **-** | (5) |
| Deferred taxation: origination and reversal of timing differences | **(175)** | (682) |
| Changes in tax rates | **(307)** | 154 |
| Deferred taxation: adjustments in respect of prior periods | **(228)** | 36 |
| **Total deferred tax** | **(710)** | (492) |
| Tax credit for the year | **(710)** | (497) |

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Loss before tax | **(36,836)** | (25,899) |
| Loss before tax multiplied by standard rate of corporation tax in the United Kingdom of 19% (2021: 19%). | **(6,999)** | (4,921) |
| Expenses not deductible for tax purposes | **2,246** | 4,249 |
| Non-taxable income | **-** | (47) |
| Movements in deferred tax not recognised | **4,578** | 5 |
| Adjustments in respect of prior periods | **(228)** | 31 |
| Changes in tax rates | **(307)** | 154 |
| Other temporary timing differences not provided | **-** | 32 |
| Tax credit for the year | **(710)** | (497) |

**Factors affecting future tax charges**

In the Spring Budget 2021, the government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. The proposal to increase the rate to 25% was substantively enacted in May 2021 and as such the effect is included in the calculation of the deferred tax provisions as at the reporting date. This will also affect the calculation of future deferred tax charges.

## 11. Intangible assets

**Group**

| Cost | Goodwill £'000 | Brand name £'000 | Customer Relationships £'000 | Computer Software & Website £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 November 2021 | 166,037 | 1,842 | 14,633 | 2,575 | **185,087** |
| Additions | - | - | - | 3,599 | **3,599** |
| Disposals | - | - | - | (5) | **(5)** |
| **At 31 October 2022** | **166,037** | **1,842** | **14,633** | **6,169** | **188,681** |
| **Accumulated amortisation and impairment** | | | | | |
| At 1 November 2021 | 162,568 | 889 | 9,948 | 1,015 | **174,420** |
| Amortisation charge | 3,151 | 186 | 1,087 | 276 | **4,700** |
| Impairment charge | 318 | 767 | 3,598 | - | **4,683** |
| Disposals | - | - | - | (5) | **(5)** |
| **At 31 October 2022** | **166,037** | **1,842** | **14,633** | **1,286** | **183,798** |
| **Net book amount at 31 October 2022** | - | - | - | **4,883** | **4,883** |
| Net book amount at 31 October 2021 | 3,469 | 953 | 4,685 | 1,560 | 10,667 |

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

The brand and customer lists categories formed part of the intangible assets recognised on the purchase of First Freelance Limited, First Umbrella Limited, Parasol Limited and Clearsky Contractor Accounting Limited.

During the year ended 31 October 2022, these assets were deemed to be fully impaired and therefore an impairment charge has been recognised.

**11. Intangible assets (continued)**

**Company**

| | Computer software £'000 |
|---|---|
| **Cost** | |
| At 1 November 2021 | 1,649 |
| Additions | 3,512 |
| **At 31 October 2022** | **5,161** |
| | |
| **Accumulated amortisation** | |
| At 1 November 2021 | 241 |
| Charge in the year | 110 |
| **At 31 October 2022** | **351** |
| | |
| **Net book amount at 31 October 2022** | **4,810** |
| | |
| Net book amount at 31 October 2021 | 1,408 |

**12. Tangible assets**

**Group**

| | Long term leasehold properties | Fixtures, fittings & computer equipment | Total |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **Cost** | | | |
| At 1 November 2021 | 569 | 2,144 | **2,713** |
| Additions | 28 | 545 | **573** |
| Disposals | - | (1,226) | **(1,226)** |
| **At 31 October 2022** | **597** | **1,463** | **2,060** |
| **Accumulated depreciation** | | | |
| At 1 November 2021 | 498 | 1,593 | **2,091** |
| Charged in the year | 55 | 391 | **446** |
| Disposals | - | (1,157) | **(1,157)** |
| **At 31 October 2022** | **553** | **827** | **1,380** |
| **Net book value at 31 October 2022** | **44** | **636** | **680** |
| Net book value at 31 October 2021 | 71 | 551 | 622 |

**Company**

| | Computer equipment |
|---|---|
| | **£'000** |
| **Cost** | |
| At 1 November 2021 | 696 |
| Additions | 365 |
| **At 31 October 2022** | **1,061** |
| **Accumulated Depreciation** | |
| At 1 November 2021 | 307 |
| Charge in the year | 174 |
| **At 31 October 2022** | **481** |
| **Net book amount at 31 October 2022** | **580** |
| Net book amount at 31 October 2021 | 389 |

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## 13. Investments

### Company

Total fixed asset investments comprise:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Investment in subsidiaries | 1 | 1 |
| | **1** | 1 |

At 31 October 2022 the Group and the company had interests in the following subsidiaries:

**Direct Holding:**

| **Subsidiaries** | **Types of share held** | **Proportion held (%)** | **Country of incorporation** | **Nature of business** |
|---|---|---|---|---|
| Arkarius Midco Limited | Ordinary | 100%. | England & Wales | Dormant holding company |
| **Indirect Holding:** | | | | |
| Caroola Accountancy Limited | Ordinary | 100% | England & Wales | Professional Services |
| Nixon Williams Limited | Ordinary | 100% | England & Wales | Professional Services |
| Arkarius Bidco Limited | Ordinary | 100% | England & Wales | Intermediate Holding Company |
| Clearsky Contractor Accounting Limited | Ordinary | 100% | England & Wales | Accountancy Services |
| Optionis Bidco Limited | Ordinary | 100% | England & Wales | Dormant holding company |
| Optionis Midco Limited | Ordinary | 100% | England & Wales | Dormant holding company |
| First Freelance Limited | Ordinary | 100% | England & Wales | Accountancy services |

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**13. Investments (continued)**

**Indirect Holding (continued)**

| | | | | |
|---|---|---|---|---|
| First Umbrella Limited | Ordinary | 100% | England & Wales | Dormant |
| Optionis Management Limited | Ordinary | 100% | England & Wales | Dormant holding company |
| Parasol Limited | Ordinary | 100% | England & Wales | Consultancy services |
| Clearsky Accountancy and Payroll Limited | Ordinary | 100% | England & Wales | Accountancy services |
| Brian Alfred Associates Limited | Ordinary | 100% | England & Wales | Accountancy/ tax services |
| Arnsco Limited | Ordinary | 100% | England & Wales | Dormant |
| Arc Licenced Trade Consultancy Limited | Ordinary | 100% | England & Wales | Dormant |
| Silverline Performance Limited | Ordinary | 100% | England & Wales | Dormant |
| Wheatley Pearce Limited | Ordinary | 100% | England & Wales | Dormant |

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, with the exceptional of Caroola Accountancy Limited, is 840 Ibis Court, Centre Park, Warrington, Cheshire, WA1 1RL. The registered office of Caroola Accountancy Limited is Kd Tower, Cotterells, Hemel Hempstead, Hertfordshire, HP1 1FW.

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. Debtors

| | Group 2022 | Company 2022 | Group 2021 | Company 2021 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 17,270 | - | 25,381 | - |
| Amounts due from Group undertakings | - | 142 | - | 4,420 |
| Other debtors | 2,210 | 110 | 3,907 | 107 |
| Corporation tax | 481 | - | 480 | - |
| VAT recoverable | - | 112 | - | 254 |
| Taxation and social security | - | 157 | - | - |
| Prepayments and accrued income | 43,524 | 1,403 | 49,634 | 1,838 |
| | 63,485 | 1,924 | 79,402 | 6,619 |

Trade debtors are stated net of provisions of £586,970 (2021: £113,001). The impairment loss recognised in the Group statement of comprehensive income for the period in respect of bad and doubtful trade debtors was £634,203 (2021 - £244,000).

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

## 15. Creditors: amounts falling due within one year

| | Group 2022 | Company 2022 | Group 2021 | Company 2021 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Loan notes | - | - | 49,392 | 49,392 |
| Bank loans | - | - | 4,425 | - |
| Trade creditors | 1,012 | 229 | 1,601 | 1,023 |
| Amount owed to parent | 136,082 | 65,182 | 127 | - |
| Taxation and social security | 62,542 | - | 83,228 | 188 |
| Other creditors | 5,148 | 81 | 3,638 | 45 |
| Accruals and deferred income | 61,697 | 1,641 | 89,899 | 10,053 |
| | 266,481 | 67,133 | 232,310 | 60,701 |

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand. The balance has increased as a result of the extinguishment of the loan notes discussed below and a reduction in the bank loan, see Note 16.

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**15. Creditors: amounts falling due within one year (continued)**

The loan notes comprise £nil (2021: £34,391,658) due to shareholders and £nil (2021: £15,000,000) due to vendors. The loan notes and interest were extinguished in full in September 2022 in exchange for an intercompany creditor owed to a parent entity. The interest rate on the loan notes was fixed at 10% (2021: 10%) but increased to 12% from 1 May 2021 in respect of the vendor loan notes only. Interest was settled quarterly until the end of 2019. Interest on loan notes has been accrued due to the loan note holders agreeing to not be paid amounts owed. The loan note interest accrued is £nil (2021: £8.8m) due to the balance being extinguished in September 2022.

## 16. Creditors: amounts falling due after more than one year

| | **Group 2022** | **Company 2022** | Group 2021 | Company 2021 |
|---|---|---|---|---|
| | **£'000** | **£'000** | £'000 | £'000 |
| Bank loans | **50,875** | - | 108,000 | - |
| | **50,875** | - | 108,000 | - |

Loan notes and bank loans net of arrangement costs are repayable as follows:

| | **Group 2022** | **Company 2022** | Group 2021 | Company 2021 |
|---|---|---|---|---|
| | **£'000** | **£'000** | £'000 | £'000 |
| Within one year | - | - | 53,817 | 49,392 |
| Between one to two years | - | - | 108,000 | - |
| Between two to five years | **50,875** | - | - | - |
| | **50,875** | - | 161,817 | 49,392 |

The Group has a loan with Alcentra UK DLF S.A.R.L and its affiliated funds, through the finance agent Global Loan Agency Services Limited, of £50,875,000 (2021: £108,000,000). The balance on this loan is repayable in full in December 2026. In addition to this, there is a £10,000,000 facility available repayable in December 2023, the balance on this is £nil (2021: £nil). During the year, as a result of the change in ownership the loan was exchanged for an intercompany creditor due to the ultimate controlling entity which is repayable on demand, see Note 15.

The interest rate on the loan was LIBOR, at a minimum of 0.75%, + 7% and settled quarterly until November 2021 when this was amended to SONIA, at a minimum of 0.75%, + 7% and settled quarterly either in cash or capitalised at the lenders discretion.

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**17. Provisions for liabilities**

**Group**

| | Dilapidations and onerous lease | Consultancy | Other | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 November 2021 | 1,298 | 378 | 89 | **1,765** |
| Additions | 497 | 57 | 5,597 | **6,151** |
| Utilised | (456) | - | (32) | **(488)** |
| **At 31 October 2022** | **1,339** | **435** | **5,654** | **7,428** |

The dilapidations provision of £519,000 (2021: £546,000) 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 of £820,000 (2021: £752,000) 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.

The Group recognises a provision for consultancy costs that could be incurred but for which the contractual obligations have not yet been fulfilled by the consultant. 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 actual evidence of the utilisation of this provision in previous years.

Within Other provisions, £4,690,000 has been recognised for a settlement proposal to HMRC in relation to an open payroll tax enquiry. The remaining balance relates to a provision for costs related to the cyber incident, along with provisions for post year end credit notes relating to the financial year and accrued holiday pay. These are measured based on management's best estimate from discussion with third parties which the directors believe to be appropriate.

Management use judgement to determine how long to hold these provisions and on a periodic basis this judgement is reviewed by management based on historical experience and is therefore subject to changes over time based on actual performance. Any changes in the judgements made in relation to the level of provision required are reflected in the income statement.

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**17. Provisions for liabilities (continued)**

**Company**

| | **Other** | **Total** |
|---|---|---|
| | **£'000** | **£'000** |
| At 1 November 2021 | - | - |
| Additions | 451 | **451** |
| **At 31 October 2022** | **451** | **451** |

The provision is for costs related to the cyber incident, based on management's best estimate from discussion with third parties which the directors believe to be appropriate.

**18. Deferred taxation**

**Group**

The deferred taxation liability provided for at 25% (2021 – 25%) in the financial statements, is set out below:

| | **2022** | 2021 Restated* |
|---|---|---|
| | **£'000** | £'000 |
| Intangibles arising on acquisition | - | (1,368) |
| Accelerated capital allowances | **(1,049)** | (67) |
| Provisions | - | - |
| Tax losses | **1,049** | 725 |
| | - | (710) |

| | **2022** | 2021 Restated* |
|---|---|---|
| | **£'000** | £'000 |
| At the beginning of the year | **(710)** | (1,202) |
| Deferred tax credited to the income statement | **710** | 492 |
| **At the end of the year** | - | (710) |

**18. Deferred taxation (continued)**

*During the year ended 31 October 2021, the deferred tax asset and liability of the Group were presented gross with an asset of £725,000 and a liability of £1,435,000 being shown separately. The disclosure of these balances has been restated to present the deferred tax as a net liability of £710,000 due to this presentational error. There is no effect on any other reported balances and the restatement has no effect on the net asset position, cashflows or the result of the Group.

There are unutilised tax losses of £12,439,000 (2021 - £234,000) for which a deferred tax asset of £1,049,000 (2021: £nil) has been recognised.

**Company**

| | 2022 | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| **Deferred tax liability** | | |
| Capital allowances | **1,229** | 144 |
| Tax losses | **(1,229)** | - |
| | - | 144 |

| **Deferred tax liability** | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| At the beginning of the year | **144** | 117 |
| Deferred tax for the year | **(144)** | 27 |
| **At the end of the year** | - | 144 |

There are unutilised tax losses of £5,301,00 (2021 - £234,000) for which a deferred tax asset of £1,229,000 (2021: £nil) has been recognised.

**19. Called up share capital**

| **Group and company** | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Authorised, allotted and fully paid: | | |
| 2 (2021: 1) ordinary shares of £1 each | - | - |

**20. Reserves**

Called-up share capital – represents the nominal value of shares that have been issued.
Share premium – represents the excess above the nominal value of shares issued.
Profit and loss account – includes all current year retained profits and losses.

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**21. Leasing commitments**
**Group**

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

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Land and Buildings** | **Other** | **Total** | Land and Buildings | Other | Total |
| | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Within 1 year | **884** | **10** | **894** | 851 | 10 | 861 |
| Between 1 and 5 years | **1,164** | **37** | **1,201** | 1,964 | 38 | 2,002 |
| After 5 years | **-** | **-** | **-** | - | 9 | 9 |
| | **2,048** | **47** | **2,095** | 2,815 | 57 | 2,872 |

The Group primarily has leases for properties. These leases run for periods up to 5 years, with an option to renew leases upon expiry. Lease payments are typically reviewed every five years.

**Company**
The future minimum lease payments under non-cancellable operating leases are as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| **Land & buildings:** | | |
| Within one year | **113** | 111 |
| Between two and five years | **135** | 248 |
| | **248** | 359 |

**Capital commitments**

Capital expenditure contracted for not yet incurred at the balance sheet date was £nil (2021: £nil).

## 22. Financial instruments

| **Financial assets** | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Financial assets measured at amortised cost | **101,172** | 149,447 |
| Financial assets measured at fair value | - | - |
| | **101,172** | 149,447 |

Financial assets measured at amortised cost comprise cash at bank, trade debtors, other debtors, prepayments and accrued income.

| **Financial liabilities** | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Financial liabilities measured at amortised cost | **254,814** | 257,082 |
| Financial liabilities measured at fair value | - | - |
| | **254,814** | 257,082 |

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed to parent, accruals, deferred income, bank loans and loan notes.

## 23. Transactions with related parties

### Key management personnel compensation

All Executive 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 2022 was £565k (2021: £594k).

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

**23. Transactions with related parties (continued)**

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Short-term employment benefits | **565** | 594 |
| Other pension costs | **4** | - |
| | **569** | 594 |

£50,500 compensation for loss of office was paid during the current year (2021: £nil) Transactions with 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 common control of the Directors which are not consolidated:

**Other related party transactions**

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Loan notes balance due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP | - | 105 |
| Loan notes balance due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee | - | 617 |
| Loan notes balance due to D Kelly | - | 6,226 |
| Loan notes balance due to S Dolan | - | 15,000 |
| Loan notes balance due to I Ahmed | - | 328 |
| Loan note balance due to Sovereign Capital | - | 27,116 |
| Accrued interest balance due to Tower Pension Trustees Limited on behalf of J S Newman's SIPP | - | 21 |
| Accrued interest balance due to The Old Astwood Limited Pension Scheme where K J Budge is a Trustee | - | 123 |
| Accrued interest balance due to D Kelly | - | 1,248 |
| Accrued interest balance due to I Ahmed | - | 66 |
| Accrued interest balance due to Sovereign Capital | - | 5,431 |
| Loan note interest paid to S Dolan | **1,800** | 2,137 |

All loan notes, including accrued interest extinguished in full in September 2022 as a result of the change in ownership. The interest rate on the loan notes was fixed at 10% (2021: 10%) but increased to 12% from 1 May 2021 in respect of the vendor loan notes only.

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**24. Net debt reconciliation**

| | Cash at bank and in hand | Bank Loans | Loan notes | Amount owed to parent | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £000 | £'000 |
| At 1 November 2021 | 70,525 | (112,425) | (49,392) | (127) | **(91,419)** |
| Cashflows | (32,357) | - | - | - | **(32,357)** |
| Accrued in the year | - | (9,350) | (15,790) | - | **(25,140)** |
| Non-cash movement | - | 70,900 | 65,182 | (136,082) | - |
| **At 31 October 2022** | **38,168** | **(50,875)** | **-** | **(136,209)** | **(148,916)** |

There are no restrictions over the use of the cash and cash equivalents balances which comprises cash at bank and in hand.

**25. Contingencies**

The Group due to its size and the nature of operations is subject to the HMRC business risk review process as a large firm and maintains an open and transparent relationship with HMRC through our regular communication with our customer compliance manager. As a result of this the Group is subject to regular reviews and enquiries into its operations by HMRC. By their very nature any ongoing enquiries present a possible financial risk. At present, there is one such matter that is unresolved and subject to ongoing review. A provision of £4,690,000 has been recognised for a settlement proposal to HMRC in relation to this open enquiry (Note 17). The potential maximum liability is uncertain but could be in the region of £9m (excluding any potential interest levied). The Directors are of the opinion that the Group has an adequate defence, supported by King's Counsel advice, and any potential liability more than the provision would be robustly defended by the Group.

Furthermore, disclosure will be made in the current year tax computation to HMRC on a separate matter, unrelated to the Group's services, due to the subjectivity in the application of the tax laws applied. The disclosure is being made in the interests of maintaining a fully transparent relationship with HMRC and the Directors do not expect HMRC to dispute the treatment adopted in the filed tax return. In the unlikely event that there is a challenge, the Directors believe there is a robust defence. On this basis, while the theoretical potential liability of this matter is estimated at £3.7m (in the unlikely event that a different interpretation of the relevant tax legislation is applied), the Directors are confident it is unlikely any tax liability will arise as a result of this matter. Accordingly, no provision for any liability has been made in the financial statements.

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**26. Ultimate controlling party**

The Company's immediate parent undertaking is Clareant Business Services Holdings 2 Limited, a company incorporated in United Kingdom, by virtue of its shareholding.

In the Directors' opinion, the company's ultimate parent undertaking and controlling party is Clareant Business Services Holdings Limited, a company incorporated in the United Kingdom. A copy of the financial statements can be obtained from the Company Secretary at the company's address, being 125 London Wall, 6th Floor, London, England, EC2Y 5AS.

In the opinion of the Directors, there is no ultimate controlling party of the Group.

**27. Post balance sheet events**

On 18th November 2022, the intercompany balance of £65,182,000 between Clareant Business Services Holdings 2 Limited, the Company's immediate parent undertaking was forgiven by way of a capital contribution. Furthermore, on the same date £70,900,000 of the Group's intercompany balance due to the ultimate parent company was settled in exchange for shares. This improves the Group's net liabilities by a combined £136,082,000.