

Challenger Performance Optimization UK Limited

Financial Statements

For the year ended 31 December 2022

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Challenger Performance Optimization UK Limited

Company Information

Directors	R Wald J Musker A Harris
Company number	11448434
Registered office	6th Floor, Charlotte Building 17 Gresse Street London United Kingdom W1T 1QL
Auditor	Moore Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL
Business address	Labs House 15-19 Bloomsbury Way London United Kingdom WC1A 2TH

Challenger Performance Optimization UK Limited

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Challenger Performance Optimization UK Limited

Balance Sheet

As at 31 December 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	4	10,928,217		12,874,681	
Tangible assets	5	15,888		-	
		<u>10,944,105</u>		<u>12,874,681</u>	
Current assets					
Debtors	6	3,842,178		3,153,728	
Cash at bank and in hand		387,146		117,071	
		<u>4,229,324</u>		<u>3,270,799</u>	
Creditors: amounts falling due within one year	7	<u>(3,153,562)</u>		<u>(3,158,413)</u>	
Net current assets		<u>1,075,762</u>		<u>112,386</u>	
Net assets		<u>12,019,867</u>		<u>12,987,067</u>	
Capital and reserves					
Called up share capital	9	100		100	
Other reserves		19,535,271		19,535,271	
Profit and loss reserves		(7,515,504)		(6,548,304)	
Total equity		<u>12,019,867</u>		<u>12,987,067</u>	

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023 and are signed on its behalf by:

A Harris
Director

Company Registration No. 11448434

Challenger Performance Optimization UK Limited

Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital	Capital Contribution Reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2021	100	19,535,271	(4,010,045)	15,525,326
Year ended 31 December 2021:				
Loss and total comprehensive income for the year	-	-	(2,538,259)	(2,538,259)
Balance at 31 December 2021	100	19,535,271	(6,548,304)	12,987,067
Year ended 31 December 2022:				
Loss and total comprehensive income for the year	-	-	(967,200)	(967,200)
Balance at 31 December 2022	100	19,535,271	(7,515,504)	12,019,867

Challenger Performance Optimization UK Limited

Notes to the Financial Statements

For the year ended 31 December 2022

1 Accounting policies

Company information

Challenger Performance Optimization UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 6th Floor, Charlotte Building, 17 Gresse Street, London, United Kingdom, W1T 1QL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

As 31 December 2022 the company had net current assets of £705,079 (2021:£112,386), which includes amounts due to group companies of £2,411,639 (2021: £498,808). The directors have received sufficient confirmation and assurance that the group companies will not demand repayment of the intercompany loan balances for a period of at least 12 months from the date of signing these accounts. The directors have prepared profit and loss, balance sheet and cash flow forecasts to 31st December 2025. These forecasts show a return to operating profit, before amortisation of intangibles, in the year to 31st December 22 and beyond. The forecasts also demonstrate that the company has sufficient cash reserves to allow it to continue trading for at least 12 months from the date of the signing of the audit report.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computers	33% Straight Line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company only has basic financial instruments measured at amortised cost, with no financial instruments classified as other, or basic financial instruments measured at fair value.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Employees

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

	2022 Number	2021 Number
Total	22	23

3 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	42,532	-
Deferred tax		
Origination and reversal of timing differences	179,952	(179,952)
Total tax charge/(credit)	222,484	(179,952)

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

4 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2022 and 31 December 2022	19,535,271
Amortisation and impairment	
At 1 January 2022	6,660,590
Amortisation charged for the year	1,946,464
At 31 December 2022	8,607,054
Carrying amount	
At 31 December 2022	10,928,217
At 31 December 2021	12,874,681

5 Tangible fixed assets

	Computer Equipment £
Cost	
At 1 January 2022	-
Additions	21,148
At 31 December 2022	21,148
Depreciation and impairment	
At 1 January 2022	-
Depreciation charged in the year	5,260
At 31 December 2022	5,260
Carrying amount	
At 31 December 2022	15,888
At 31 December 2021	-

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

6 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	564,152	1,617,592
Amounts owed by group undertakings	2,401,386	1,221,821
Other debtors	154,975	54,631
Prepayments and accrued income	721,665	79,732
	<u>3,842,178</u>	<u>2,973,776</u>
	2022	2021
	£	£
Amounts falling due after more than one year:		
Deferred tax asset	-	179,952
	<u>-</u>	<u>179,952</u>
Total debtors	<u>3,842,178</u>	<u>3,153,728</u>

During the year, the Company recognised a prepaid commission amounting to £614,919 (2021: nil). This is in line with the change in estimation method of commission incurred in the year.

7 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	138,289	91,666
Amounts owed to group undertakings	996,144	498,808
Corporation tax	42,532	-
Other taxation and social security	22,302	47,054
Other creditors	76,969	163,251
Accruals and deferred income	1,877,326	2,357,634
	<u>3,153,562</u>	<u>3,158,413</u>

8 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets	Assets
	2022	2021
	£	£
Balances:		
Tax losses	-	179,952
	<u>-</u>	<u>179,952</u>

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

8	Deferred taxation	(Continued)
		2022
	Movements in the year:	£
	Asset at 1 January 2022	(179,952)
	Charge to profit or loss	179,952
		<hr/>
	Liability at 31 December 2022	-
		<hr/> <hr/>

During the year, the deferred tax asset which relates to the utilisation of tax losses against future expected profits were reversed.

9	Called up share capital	2022	2021
		£	£
	Ordinary share capital		
	Issued and fully paid		
	100 Ordinary share of £1 each	100	100
		<hr/>	<hr/>
		100	100
		<hr/> <hr/>	<hr/> <hr/>

10 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

Senior Statutory Auditor:

Esther Carder

Statutory Auditor:

Moore Kingston Smith LLP

Challenger Performance Optimization UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

11 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2022 £	2021 £
Within one year	101,900	193,133
Between two and five years	7,900	15,000
	<u>109,800</u>	<u>208,133</u>

12 Related party transactions

Challenger Performance Optimization UK Limited has elected to take advantage of the exemption under FRS 102 33.1A not to disclose transactions with wholly owned group companies.

13 Parent company

The immediate parent company and immediate controlling company is Challenger Performance Optimization, Inc. a company incorporated in the USA. Challenger Performance Optimization, Inc. is the smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of the financial statements are available from Challenger Performance Optimization, Inc.

The ultimate parent and controlling company is Marlin Heritage II, L.P., a company incorporated in the Cayman Islands.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.