

**Group Strategic Report, Report of the Directors and**  
**Consolidated Financial Statements.**  
**for the Period 1 January 2018 to 31 May 2019**  
**for**  
**RFS Holdco 1 Limited**

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**RFS Holdco 1 Limited**

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for the Period 1 January 2018 to 31 May 2019**

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**RFS Holdco 1 Limited**

**Company Information**  
**for the Period 1 January 2018 to 31 May 2019**

**DIRECTORS:** M A Couzens  
J Turner

**REGISTERED OFFICE:** Lancaster House  
Hindle Way  
Swindon  
Wiltshire  
SN3 3RT

**REGISTERED NUMBER:** 11392908 (England and Wales)

**RFS Holdco 1 Limited**  
**Group Strategic Report**  
**for the Period 1 January 2018 to 31 May 2019**

The directors present their strategic report of the company and the group for the period 1 January 2018 to 31 May 2019.

RFS Holdco 1 Limited Group (the Group) operates primarily as a resourcing and management consultancy provider across a broad range of sectors within the UK.

**REVIEW OF BUSINESS**

The Group has continued to develop in the past 18 months through expanding its client base in anticipation of PPI complaint resolution coming to an end whilst also investing in the capabilities of our people, service offering and technology. At the same time, the Group continues to deliver sustained efficiency improvements across its operations.

**FUTURE DEVELOPMENTS**

The Group will continue to pursue new service offerings across a broader client base and in doing so demonstrate an ability to deliver enhanced value for the services provided. In particular, the Group continues to invest in developing technology business consistent with its strategic objective to enhance the deployment of technology across its operations. At 31 May 2019, the Group had share investments in ByzGen Limited, a secure data management technology provider, and also an investment in CybSafe Limited, a cyber security and data analytics provider

The Group will also continue to invest strongly in business development, developing sustainable revenue generating relationships with new clients across a broad range of sectors whilst leveraging our legacy strength and reputation in the Financial Services sector.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Group delivers remediation services through building resource capacity and consultancy services to a range of clients. These contracts typically operate on a short-term rolling renewal basis. The Group continues to focus its business development activities on building new clients and new projects to help mitigate this risk. The ability to replenish its workforce, particularly as key areas of customer remediation are completed and regulators' focus moves to new programs of rectification, is critical to the ongoing success of the business. We monitor closely the themes emerging from the FCA.

In recent periods, the Group has been a key provider of remediation services to banks in order to assist the management of PPI related customer claims. All claims ceased from August 2019 although the scale of customer complaints leads to these services continuing through until August 2020. With this reduction in work during 2020 the Group will need to offer services to assist in other areas of regulatory remediation to offset this change. The Group must also ensure that it maintains high standards of service delivery to protect and enhance its reputation amongst its client base.

The sectors in which the Group operates are subject to rigorous regulatory oversight which holds providers of consumer facing services (clients) to ever higher standards and to treat their customers in a fair and equitable manner. This continues to create new opportunities for the Group's growth and development.

Separately the Government is proceeding with the application of off-payroll working rules, commonly referred to as IR35, in the private sector. The Group is monitoring this process carefully and the latest guidance gives us confidence in how this is landing across the industry and our ability to continue to deliver value adding services to our clients.

The Group has also invested in a number of early stage technology businesses in the recent past as described above. The development of those businesses continues but, as is usually the case at this stage, uncertainty remains regarding the long term success of those businesses. As a result there is a risk associated with the carrying value of those investments. Having considered the facts the directors consider that the total valuation of investments, at cost, of £1,116,276 is still appropriate.

**FINANCIAL KEY PERFORMANCE INDICATORS**

Turnover for the 17 month period was £71,070,128 (2017 (12 months): £51,563,904), and operating profit was £3,858,877 (2017: £1,766,017). Operating margins improved to 5.4% (2017: 3.4%).

**ON BEHALF OF THE BOARD:**



J Turner - Director

Date: 28<sup>th</sup> February 2020

**RFS Holdco 1 Limited**

**Report of the Directors**  
**for the Period 1 January 2018 to 31 May 2019**

The directors present their report with the financial statements of the company and the group for the period 1 January 2018 to 31 May 2019.

**DIVIDENDS**

The total distribution of dividends for the period ended 31 May 2019 will be £4,179,023.

**DIRECTORS**

The directors who have held office during the period from 1 January 2018 to the date of this report are as follows:

M A Couzens - appointed 26 June 2018  
J Turner - appointed 1 June 2018  
S D Breach - appointed 26 June 2018  
A H Howitt - appointed 26 June 2018

A H Howitt and S D Breach ceased to be directors after 31 May 2019 but prior to the date of this report.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

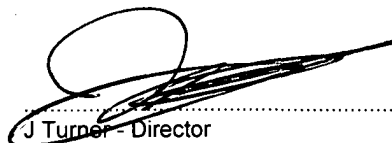
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

The auditors, MHA Monahans, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
.....  
J Turner - Director

Date: 28 February 2020

**Report of the Independent Auditors to the Members of**  
**RFS Holdco 1 Limited**

**Opinion**

We have audited the financial statements of RFS Holdco 1 Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 May 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 May 2019 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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

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

**Report of the Independent Auditors to the Members of**  
**RFS Holdco 1 Limited**

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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.

**Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

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



David Iain Black (Senior Statutory Auditor)  
for and on behalf of MHA Monahans  
Statutory Auditors  
38-42 Newport Street  
Swindon  
Wiltshire  
SN1 3DR

Date: 28 February 2020

**RFS Holdco 1 Limited**

**Consolidated Statement of Comprehensive Income**  
**for the Period 1 January 2018 to 31 May 2019**

|  | Notes | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|--|-------|--|-----------------------------|
| <b>TURNOVER</b>                                  | 4     | 71,070,128                             | 51,563,904                  |
| Cost of sales                                    |       | <u>54,470,578</u>                      | <u>39,967,532</u>           |
| <b>GROSS PROFIT</b>                              |       | 16,599,550                             | 11,596,372                  |
| Administrative expenses                          |       | <u>12,744,520</u>                      | <u>9,834,447</u>            |
|  |       | 3,855,030                              | 1,761,925                   |
| Other operating income                           |       | <u>3,847</u>                           | <u>4,092</u>                |
| <b>OPERATING PROFIT</b>                          | 6     | 3,858,877                              | 1,766,017                   |
| Interest receivable and similar income           |       | <u>130</u>                             | <u>-</u>                    |
|  |       | 3,859,007                              | 1,766,017                   |
| Interest payable and similar expenses            | 7     | <u>497,478</u>                         | <u>49,966</u>               |
| <b>PROFIT BEFORE TAXATION</b>                    |       | 3,361,529                              | 1,716,051                   |
| Tax on profit                                    | 8     | <u>870,458</u>                         | <u>578,169</u>              |
| <b>PROFIT FOR THE FINANCIAL PERIOD</b>           |       | 2,491,071                              | 1,137,882                   |
| <b>OTHER COMPREHENSIVE INCOME</b>                |       | <u>-</u>                               | <u>-</u>                    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> |       | <u><u>2,491,071</u></u>                | <u><u>1,137,882</u></u>     |
| Profit attributable to:                          |       |  |                             |
| Owners of the parent                             |       | 2,747,178                              | 1,137,882                   |
| Non-controlling interests                        |       | <u>(256,107)</u>                       | <u>-</u>                    |
|  |       | <u><u>2,491,071</u></u>                | <u><u>1,137,882</u></u>     |
| Total comprehensive income attributable to:      |       |  |                             |
| Owners of the parent                             |       | 2,747,178                              | 1,137,882                   |
| Non-controlling interests                        |       | <u>(256,107)</u>                       | <u>-</u>                    |
|  |       | <u><u>2,491,071</u></u>                | <u><u>1,137,882</u></u>     |

The notes form part of these financial statements

**RFS Holdco 1 Limited (Registered number: 11392908)**

**Consolidated Balance Sheet**  
**31 May 2019**

|  | Notes | 2019             |                     | 2017             |                  |
|--|-------|------------------|---------------------|------------------|------------------|
|  |       | £                | £                   | £                | £                |
| <b>FIXED ASSETS</b>                          |       |                  |                     |                  |                  |
| Intangible assets                            | 11    |                  | 1,067,123           |                  | -                |
| Tangible assets                              | 12    |                  | 299,390             |                  | 753,958          |
| Investments                                  | 13    |                  | <u>1,116,276</u>    |                  | <u>866,462</u>   |
|  |       |                  | 2,482,789           |                  | 1,620,420        |
| <b>CURRENT ASSETS</b>                        |       |                  |                     |                  |                  |
| Debtors                                      | 14    | 6,076,941        |                     | 9,617,889        |                  |
| Cash at bank                                 |       | <u>4,577,089</u> |                     | <u>2,672,454</u> |                  |
|  |       | 10,654,030       |                     | 12,290,343       |                  |
| <b>CREDITORS</b>                             |       |                  |                     |                  |                  |
| Amounts falling due within one year          | 15    | <u>5,581,565</u> |                     | <u>8,877,557</u> |                  |
| <b>NET CURRENT ASSETS</b>                    |       |                  | <u>5,072,465</u>    |                  | <u>3,412,786</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       |                  | 7,555,254           |                  | 5,033,206        |
| <b>CREDITORS</b>                             |       |                  |                     |                  |                  |
| Amounts falling due after more than one year | 16    |                  | <u>(10,763,932)</u> |                  | <u>(82,869)</u>  |
| <b>NET (LIABILITIES)/ASSETS</b>              |       |                  | <u>(3,208,678)</u>  |                  | <u>4,950,337</u> |
| <b>CAPITAL AND RESERVES</b>                  |       |                  |                     |                  |                  |
| Called up share capital                      | 20    |                  | 9,000,001           |                  | 1,000            |
| Other reserves                               | 21    |                  | (15,819,977)        |                  | -                |
| Retained earnings                            | 21    |                  | <u>3,517,492</u>    |                  | <u>4,949,337</u> |
| <b>SHAREHOLDERS' FUNDS</b>                   |       |                  | (3,302,484)         |                  | 4,950,337        |
| <b>NON-CONTROLLING INTERESTS</b>             |       |                  | <u>93,806</u>       |                  | -                |
| <b>TOTAL EQUITY</b>                          |       |                  | <u>(3,208,678)</u>  |                  | <u>4,950,337</u> |

The financial statements were approved by the Board of Directors on its behalf by:

*28<sup>th</sup> February 2020* and were signed on

  
.....  
J Turner - Director

The notes form part of these financial statements

**RFS Holdco 1 Limited (Registered number: 11392908)**

**Company Balance Sheet**  
**31 May 2019**

|  | Notes | 2019             |                  |
|--|-------|------------------|------------------|
|  |       | £                | £                |
| <b>FIXED ASSETS</b>                          |       |                  |                  |
| Intangible assets                            | 11    |                  | -                |
| Tangible assets                              | 12    |                  | -                |
| Investments                                  | 13    |                  | <u>2,260,795</u> |
|  |       |                  | 2,260,795        |
| <b>CURRENT ASSETS</b>                        |       |                  |                  |
| Debtors                                      | 14    | 7,202,525        |                  |
| Cash at bank                                 |       | <u>1</u>         |                  |
|  |       | <u>7,202,526</u> |                  |
| <b>NET CURRENT ASSETS</b>                    |       |                  | <u>7,202,526</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       |                  | <u>9,463,321</u> |
| <b>CAPITAL AND RESERVES</b>                  |       |                  |                  |
| Called up share capital                      | 20    |                  | 9,000,001        |
| Retained earnings                            | 21    |                  | <u>463,320</u>   |
| <b>SHAREHOLDERS' FUNDS</b>                   |       |                  | <u>9,463,321</u> |
| Company's profit for the financial year      |       |                  | <u>463,320</u>   |

The financial statements were approved by the Board of Directors on its behalf by:

28 February 2020 and were signed on

  
.....  
J Turner - Director

**RFS Holdco 1 Limited**

**Consolidated Statement of Changes in Equity**  
**for the Period 1 January 2018 to 31 May 2019**

|   | Called up<br>share<br>capital<br>£ | Retained<br>earnings<br>£         | Other<br>reserves<br>£     |
|---|------------------------------------|-----------------------------------|----------------------------|
| <b>Balance at 1 January 2017</b>        | 17,000                             | 3,811,455                         | -                          |
| <b>Changes in equity</b>                |                                    |                                   |                            |
| Reduction in share capital              | (16,000)                           | -                                 | -                          |
| Total comprehensive income              | <u>-</u>                           | <u>1,137,882</u>                  | <u>-</u>                   |
| <b>Balance at 31 December 2017</b>      | <u>1,000</u>                       | <u>4,949,337</u>                  | <u>-</u>                   |
| <b>Changes in equity</b>                |                                    |                                   |                            |
| Increase in share capital               | 8,999,001                          | -                                 | -                          |
| Arising on merger                       | -                                  | -                                 | (15,819,977)               |
| Dividends                               | -                                  | (4,179,023)                       | -                          |
| Total comprehensive income              | <u>-</u>                           | <u>2,747,178</u>                  | <u>-</u>                   |
| Acquisition of non-controlling interest | <u>9,000,001</u>                   | <u>3,517,492</u>                  | <u>(15,819,977)</u>        |
| <b>Balance at 31 May 2019</b>           | <u><u>9,000,001</u></u>            | <u><u>3,517,492</u></u>           | <u><u>(15,819,977)</u></u> |
|   | Total<br>£                         | Non-controlling<br>interests<br>£ | Total<br>equity<br>£       |
| <b>Balance at 1 January 2017</b>        | 3,828,455                          | -                                 | 3,828,455                  |
| <b>Changes in equity</b>                |                                    |                                   |                            |
| Reduction in share capital              | (16,000)                           | -                                 | (16,000)                   |
| Total comprehensive income              | <u>1,137,882</u>                   | <u>-</u>                          | <u>1,137,882</u>           |
| <b>Balance at 31 December 2017</b>      | <u>4,950,337</u>                   | <u>-</u>                          | <u>4,950,337</u>           |
| <b>Changes in equity</b>                |                                    |                                   |                            |
| Increase in share capital               | 8,999,001                          | -                                 | 8,999,001                  |
| Arising on merger                       | (15,819,977)                       | -                                 | (15,819,977)               |
| Dividends                               | (4,179,023)                        | -                                 | (4,179,023)                |
| Total comprehensive income              | <u>2,747,178</u>                   | <u>(256,107)</u>                  | <u>2,491,071</u>           |
| Acquisition of non-controlling interest | <u>(3,302,484)</u>                 | <u>(256,107)</u>                  | <u>(3,558,591)</u>         |
| Acquisition of non-controlling interest | <u>-</u>                           | <u>349,913</u>                    | <u>349,913</u>             |
| <b>Balance at 31 May 2019</b>           | <u><u>(3,302,484)</u></u>          | <u><u>93,806</u></u>              | <u><u>(3,208,678)</u></u>  |

The notes form part of these financial statements

**RFS Holdco 1 Limited**

**Company Statement of Changes in Equity**  
**for the Year Ended 31 May 2019**

|                               | Called up<br>share<br>capital<br>£ | Retained<br>earnings<br>£ | Total<br>equity<br>£ |
|-------------------------------|------------------------------------|---------------------------|----------------------|
| <b>Changes in equity</b>      |                                    |                           |                      |
| Issue of share capital        | 9,000,001                          | -                         | 9,000,001            |
| Total comprehensive income    | -                                  | <u>463,320</u>            | <u>463,320</u>       |
| <b>Balance at 31 May 2019</b> | <u>9,000,001</u>                   | <u>463,320</u>            | <u>9,463,321</u>     |

The notes form part of these financial statements

**RFS Holdco 1 Limited**

**Consolidated Cash Flow Statement  
for the Period 1 January 2018 to 31 May 2019**

|   | Notes | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|---|-------|--|-----------------------------|
| <b>Cash flows from operating activities</b>             |       |  |                             |
| Cash generated from operations                          | 24    | 4,760,486                              | 812,493                     |
| Interest paid   |       | (497,478)                              | (49,966)                    |
| Tax paid  |       | <u>(1,261,496)</u>                     | <u>(307,383)</u>            |
| Net cash from operating activities                      |       | <u>3,001,512</u>                       | <u>455,144</u>              |
| <b>Cash flows from investing activities</b>             |       |  |                             |
| Purchase of intangible fixed assets                     |       | (1,143,346)                            | -                           |
| Purchase of tangible fixed assets                       |       | (39,102)                               | (785,054)                   |
| Purchase of fixed asset investments                     |       | (750,000)                              | (749,686)                   |
| Sale of tangible fixed assets                           |       | 117,664                                | 9,722                       |
| Sale of fixed asset investments                         |       | 1,102,216                              | -                           |
| Cash acquired on acquisitions                           |       | 193,053                                | -                           |
| Merger investment                                       |       | (15,820,977)                           | -                           |
| Interest received                                       |       | <u>130</u>                             | <u>-</u>                    |
| Net cash from investing activities                      |       | <u>(16,340,362)</u>                    | <u>(1,525,018)</u>          |
| <b>Cash flows from financing activities</b>             |       |  |                             |
| Loan movements in year                                  |       | 10,506,099                             | (129,795)                   |
| Capital repayments in year                              |       | (82,592)                               | (83,315)                    |
| Share issue   |       | 8,999,001                              | -                           |
| Share reduction   |       | -                                      | (16,000)                    |
| Equity dividends paid                                   |       | <u>(4,179,023)</u>                     | <u>-</u>                    |
| Net cash from financing activities                      |       | <u>15,243,485</u>                      | <u>(229,110)</u>            |
| <b>Increase/(decrease) in cash and cash equivalents</b> |       |  |                             |
| <b>Cash and cash equivalents at beginning of period</b> | 25    | <u>1,904,635</u>                       | <u>(1,298,984)</u>          |
|   |       | 2,672,454                              | 3,971,438                   |
| <b>Cash and cash equivalents at end of period</b>       | 25    | <u><u>4,577,089</u></u>                | <u><u>2,672,454</u></u>     |

The notes form part of these financial statements

## RFS Holdco 1 Limited

### Notes to the Consolidated Financial Statements for the Period 1 January 2018 to 31 May 2019

#### 1. STATUTORY INFORMATION

RFS Holdco 1 Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

#### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

#### 3. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention.

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

##### **Functional and presentation currency**

The company's functional and presentation currency is Sterling (£).

##### **Basis of consolidation**

In June 2018, pursuant to a Scheme of Arrangement under Part 26 of the Companies Act 2006, a new parent company was introduced which is now called RFS Holdco 1 Limited. The previous parent company was Regulatory Finance Solutions Limited.

The introduction of a new holding company constitutes a group reconstruction and has been accounted for using merger accounting principles. Therefore, although the group reconstruction did not become effective until June 2018, the consolidated financial statements of RFS Holdco 1 Limited are presented as if RFS Holdco 1 Limited and Regulatory Finance Solutions Limited had always been part of the same group. Accordingly, the results of the group for the entire period ended 31 May 2019 are shown in the consolidated income statement and the comparative figures for the year ended 31 December 2017 are also prepared on this basis.

##### **Going concern**

The financial statements show net liabilities at the period end of £3,208,678 (2017: net assets £4,950,337).

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

##### **Investment in subsidiaries**

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

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

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

##### **Associates**

In the group financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss and other comprehensive income of the associate.

In the group financial statements investments in associates are accounted for at cost less impairment.

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**3. ACCOUNTING POLICIES - continued**

**Significant judgements and estimates**

In the application of the groups accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements:

**(i) Useful economic life of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimates useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

**(ii) Impairment of debtors**

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors, relationship with the debtors and historical experience.

**(iii) Impairment of goodwill**

The group considers whether goodwill is impaired. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the goodwill is reduced to its recoverable amount. When assessing impairment of goodwill, management considers factors including the operating results of the investment.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transactions, the fair value of the consideration is measured as the present value of all future receipts using the inputted rate of interest.

The company recognises revenue when the following conditions are satisfied:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably

**Interest receivable**

Interest income is recognised using the effective interest method.

**Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life which is 10 years. Provision is made for any impairment.

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**3. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

**Depreciation and residual values**

Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Long leasehold - 20% on straight line basis  
Other fixed assets - 20% on straight line basis  
Fixtures and fittings - 25% on reducing balance  
Computer equipment - 25% on reducing balance

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any changes is accounted for prospectively.

Repairs and maintenance costs are expensed as incurred.

**Taxation**

Taxation for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences 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 measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**3. ACCOUNTING POLICIES - continued**

**Leased assets**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substances of the arrangement.

**Finance leased assets**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at their value of the lease asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

**Operating leased assets**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

**Trade and other debtors**

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

**Trade and other creditors**

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**Related parties**

For the purposes of these financial statements, a party is considered to be related to the company if:

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- (ii) the company and the party are subject to common control;
- (iii) the party is an associate of the company or a joint venture in which the company is a venturer;
- (iv) the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**3. ACCOUNTING POLICIES - continued**

**Impairment of assets**

Assets, other than those measured at fair value, as assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below:

**Non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter an excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

**Financial assets**

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the report date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial assets to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**Financial instruments**

Financial instruments are classified by the directors as basic or advanced following the conditions in FRS 102 Section 11.

Basic financial assets, including trade and other receivables, cash and bank balances, 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.

Basic financial liabilities, including trade and other payables, bank loans and overdrafts and loans from fellow group companies, 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.

**Provisions**

Provisions are recognised when the company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

3. **ACCOUNTING POLICIES - continued**

**Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which are incurred.

4. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

|                | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|----------------|--|-----------------------------|
| United Kingdom | <u>71,070,128</u>                      | <u>51,563,904</u>           |
|                | <u>71,070,128</u>                      | <u>51,563,904</u>           |

5. **EMPLOYEES AND DIRECTORS**

|                       | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|-----------------------|--|-----------------------------|
| Wages and salaries    | 6,928,300                              | 6,321,647                   |
| Social security costs | 734,163                                | 586,754                     |
| Other pension costs   | <u>38,717</u>                          | <u>11,927</u>               |
|                       | <u>7,701,180</u>                       | <u>6,920,328</u>            |

The average number of employees during the period was as follows:

|       | Period<br>1.1.18<br>to<br>31.5.19 | Year Ended<br>31.12.17 |
|-------|-----------------------------------|------------------------|
| Staff | <u>59</u>                         | <u>63</u>              |

The average number of employees by undertakings that were proportionately consolidated during the period was 8 (2017 - NIL).

|                         | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|-------------------------|--|-----------------------------|
| Directors' remuneration | <u>1,534,230</u>                       | <u>2,068,955</u>            |

Information regarding the highest paid director is as follows:

|                | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|----------------|--|-----------------------------|
| Emoluments etc | <u>926,749</u>                         | <u>1,668,680</u>            |

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**6. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

|   | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|---|--|-----------------------------|
| Hire of plant and machinery               | 91,234                                 | 16,624                      |
| Other operating leases                    | 317,504                                | 383,671                     |
| Depreciation - owned assets               | 243,233                                | 220,856                     |
| (Profit)/loss on disposal of fixed assets | (469,257)                              | 19,668                      |
| Goodwill amortisation                     | 76,223                                 | -                           |
| Auditor's remuneration                    | 31,060                                 | 38,067                      |
| Foreign exchange differences              | <u>384</u>                             | <u>706</u>                  |

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

|                            | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|----------------------------|--|-----------------------------|
| Bank loan interest         | 415,996                                | 33,572                      |
| Hire purchase interest     | 9,008                                  | 16,369                      |
| Bank overdraft interest    | 2,292                                  | 25                          |
| Amortisation of loan costs | <u>70,182</u>                          | <u>-</u>                    |
|                            | <u>497,478</u>                         | <u>49,966</u>               |

**8. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the period was as follows:

|                                    | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|------------------------------------|--|-----------------------------|
| Current tax:<br>UK corporation tax | 805,518                                | 757,089                     |
| Deferred tax                       | <u>64,940</u>                          | <u>(178,920)</u>            |
| Tax on profit                      | <u>870,458</u>                         | <u>578,169</u>              |

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**8. TAXATION - continued**

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

|  | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|--|--|-----------------------------|
| Profit before tax  | <u>3,361,529</u>                       | <u>1,716,051</u>            |
| Profit multiplied by the standard rate of corporation tax in the UK of 19%<br>(2017 - 19%) | 638,691                                | 326,050                     |
| Effects of:  |  |                             |
| Expenses not deductible for tax purposes   | 195,927                                | 380,167                     |
| Depreciation in excess of capital allowances   | 7,406                                  | 50,877                      |
| Adjustments to tax charge in respect of previous periods                                   | -                                      | (25,765)                    |
| Deferred tax   | 64,940                                 | (178,920)                   |
| Other movements  | <u>(36,506)</u>                        | <u>25,760</u>               |
| Total tax charge   | <u>870,458</u>                         | <u>578,169</u>              |

**9. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**10. DIVIDENDS**

|                                       | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|---------------------------------------|--|-----------------------------|
| Ordinary shares of £1 each<br>Interim | <u>4,179,023</u>                       | <u>-</u>                    |

**11. INTANGIBLE FIXED ASSETS**

**Group**

|                         | Goodwill<br>£    |
|-------------------------|------------------|
| <b>COST</b>             |                  |
| Additions               | <u>1,143,346</u> |
| At 31 May 2019          | <u>1,143,346</u> |
| <b>AMORTISATION</b>     |                  |
| Amortisation for period | <u>76,223</u>    |
| At 31 May 2019          | <u>76,223</u>    |
| <b>NET BOOK VALUE</b>   |                  |
| At 31 May 2019          | <u>1,067,123</u> |

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 1 January 2018 to 31 May 2019**

**12. TANGIBLE FIXED ASSETS**

**Group**

|                        | Long<br>leasehold<br>£ | Other<br>fixed<br>assets<br>£ | Fixtures<br>and<br>fittings<br>£ | Computer<br>equipment<br>£ | Totals<br>£      |
|------------------------|------------------------|-------------------------------|----------------------------------|----------------------------|------------------|
| <b>COST</b>            |                        |                               |                                  |                            |                  |
| At 1 January 2018      | 304,079                | 283,289                       | 504,146                          | 421,603                    | 1,513,117        |
| Additions              | -                      | -                             | 6,915                            | 32,187                     | 39,102           |
| Disposals              | -                      | (283,289)                     | -                                | (12,520)                   | (295,809)        |
| At 31 May 2019         | <u>304,079</u>         | <u>-</u>                      | <u>511,061</u>                   | <u>441,270</u>             | <u>1,256,410</u> |
| <b>DEPRECIATION</b>    |                        |                               |                                  |                            |                  |
| At 1 January 2018      | 217,445                | 4,448                         | 288,576                          | 248,690                    | 759,159          |
| Charge for period      | 71,573                 | 39,531                        | 72,523                           | 59,606                     | 243,233          |
| Eliminated on disposal | -                      | (43,979)                      | -                                | (1,393)                    | (45,372)         |
| At 31 May 2019         | <u>289,018</u>         | <u>-</u>                      | <u>361,099</u>                   | <u>306,903</u>             | <u>957,020</u>   |
| <b>NET BOOK VALUE</b>  |                        |                               |                                  |                            |                  |
| At 31 May 2019         | <u>15,061</u>          | <u>-</u>                      | <u>149,962</u>                   | <u>134,367</u>             | <u>299,390</u>   |
| At 31 December 2017    | <u>86,634</u>          | <u>278,841</u>                | <u>215,570</u>                   | <u>172,913</u>             | <u>753,958</u>   |

**13. FIXED ASSET INVESTMENTS**

**Group**

|                       | Shares in<br>group<br>undertakings<br>£ | Unlisted<br>investments<br>£ | Totals<br>£      |
|-----------------------|---|------------------------------|------------------|
| <b>COST</b>           |   |                              |                  |
| At 1 January 2018     | 186                                     | 866,276                      | 866,462          |
| Additions             | -                                       | 750,000                      | 750,000          |
| Disposals             | (186)                                   | (500,000)                    | (500,186)        |
| At 31 May 2019        | <u>-</u>                                | <u>1,116,276</u>             | <u>1,116,276</u> |
| <b>NET BOOK VALUE</b> |   |                              |                  |
| At 31 May 2019        | <u>-</u>                                | <u>1,116,276</u>             | <u>1,116,276</u> |
| At 31 December 2017   | <u>186</u>                              | <u>866,276</u>               | <u>866,462</u>   |

**Company**

|                       | Shares in<br>group<br>undertakings<br>£ |
|-----------------------|---|
| <b>COST</b>           |   |
| Additions             | <u>2,260,795</u>                        |
| At 31 May 2019        | <u>2,260,795</u>                        |
| <b>NET BOOK VALUE</b> |   |
| At 31 May 2019        | <u>2,260,795</u>                        |

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

13. **FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries**

**RFS Newco1 Limited**

Registered office: Lancaster House, Hindle Way, Swindon, England, SN3 3RT, United Kingdom

Nature of business: Financial intermediation

|                  |         |
|------------------|---------|
|                  | %       |
| Class of shares: | holding |
| Ordinary         | 100.00  |

**Regulatory Finance Solutions Limited**

Registered office: Lancaster House, Hindle Way, Swindon, England, SN3 3RT, United Kingdom

Nature of business: Financial intermediation

|                  |         |
|------------------|---------|
|                  | %       |
| Class of shares: | holding |
| Ordinary         | 100.00  |

**RFS Financial Crime Limited**

Registered office: Lancaster House, Hindle Way, Swindon, England, SN3 3RT, United Kingdom

Nature of business: Financial intermediation

|                  |         |
|------------------|---------|
|                  | %       |
| Class of shares: | holding |
| Ordinary         | 100.00  |

**Byzgen Limited**

Registered office: 6th Floor 60 Gracechurch Street, London, EC3V 0HR, United Kingdom

Nature of business: Technology service activities

|                  |         |
|------------------|---------|
|                  | %       |
| Class of shares: | holding |
| Ordinary         | 60.61   |
| Ordinary A       | 100.00  |

**Associates**

Unlisted investments includes an investment where the group holds more than 20% shareholding. The entity has not been consolidated into the financial statements as an associate as they are not material to the group. The following are the unlisted investments where the group has more than 20% shareholding:

| <b>Name</b>              | <b>Class of shares</b> | <b>Effective holding</b> | <b>Principal activity</b> |
|--------------------------|------------------------|--------------------------|---------------------------|
| Cybsafe holdings Limited | Ordinary               | 25%                      | Cyber security            |

14. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                    | <b>Group</b>     |                  | <b>Company</b>   |
|------------------------------------|------------------|------------------|------------------|
|                                    | 2019             | 2017             | 2019             |
|                                    | £                | £                | £                |
| Trade debtors                      | 3,767,200        | 2,808,531        | -                |
| Amounts owed by group undertakings | -                | -                | 7,202,525        |
| Other debtors                      | 219,992          | 1,244,492        | -                |
| Tax                                | 180,556          | -                | -                |
| Deferred tax asset                 | 60,287           | 61,527           | -                |
| Prepayments and accrued income     | 1,848,906        | 5,503,339        | -                |
|                                    | <u>6,076,941</u> | <u>9,617,889</u> | <u>7,202,525</u> |

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|   | <b>Group</b>            |                         |
|---|-------------------------|-------------------------|
|   | 2019                    | 2017                    |
|   | £                       | £                       |
| Bank loans and overdrafts (see note 17) | 182,000                 | 439,833                 |
| Hire purchase contracts (see note 18)   | 9,121                   | 59,695                  |
| Trade creditors                         | 2,259,277               | 4,051,614               |
| Tax                                     | 1,928                   | 277,350                 |
| Social security and other taxes         | 160,644                 | 218,394                 |
| VAT                                     | 844,355                 | 1,476,078               |
| Other creditors                         | 20,484                  | 468                     |
| Accruals and deferred income            | <u>2,103,756</u>        | <u>2,354,125</u>        |
|   | <u><u>5,581,565</u></u> | <u><u>8,877,557</u></u> |

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                                       | <b>Group</b>             |                      |
|---------------------------------------|--------------------------|----------------------|
|                                       | 2019                     | 2017                 |
|                                       | £                        | £                    |
| Bank loans (see note 17)              | 10,763,932               | -                    |
| Other loans (see note 17)             | -                        | 50,851               |
| Hire purchase contracts (see note 18) | <u>-</u>                 | <u>32,018</u>        |
|                                       | <u><u>10,763,932</u></u> | <u><u>82,869</u></u> |

The bank loan is repayable on 28 June 2022 and carries variable interest at base rate plus margin rate between 2.5% and 3%. The above balance represents a bank loan of £11million net of arrangement fees.

The bank loan is secured by a fixed and floating charge over the assets of the company and its subsidiaries.

HP liabilities are secured on the assets to which they relate.

**17. LOANS**

An analysis of the maturity of loans is given below:

|   | <b>Group</b>             |                      |
|---|--------------------------|----------------------|
|   | 2019                     | 2017                 |
|   | £                        | £                    |
| Amounts falling due within one year or on demand: |                          |                      |
| Bank loans  | <u>182,000</u>           | <u>439,833</u>       |
| Amounts falling due between two and five years:   |                          |                      |
| Bank loans - 2-5 years                            | 10,763,932               | -                    |
| Other loans - 2-5 years                           | <u>-</u>                 | <u>50,851</u>        |
|   | <u><u>10,763,932</u></u> | <u><u>50,851</u></u> |

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued  
for the Period 1 January 2018 to 31 May 2019**

**18. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

| <b>Group</b>               | Hire purchase contracts |               |
|----------------------------|-------------------------|---------------|
|                            | 2019                    | 2017          |
|                            | £                       | £             |
| Net obligations repayable: |                         |               |
| Within one year            | 9,121                   | 59,695        |
| Between one and five years | <u>-</u>                | <u>32,018</u> |
|                            | <u>9,121</u>            | <u>91,713</u> |

The group had total operating lease commitments at the period end of £671,203.

**19. FINANCIAL INSTRUMENTS**

The carrying value of the financial assets and liabilities are summarised by category below:

|  | <b>Group</b>      |                  |
|--|-------------------|------------------|
|  | 2019              | 2017             |
|  | £                 | £                |
| <b>Financial assets</b>                      |                   |                  |
| Measured at undiscounted amount receivable   |                   |                  |
| - Trade and other debtors and accrued income | 3,987,192         | 4,372,329        |
| - Cash at bank and at hand                   | <u>4,577,089</u>  | <u>3,544,112</u> |
|  | <u>8,564,281</u>  | <u>7,916,441</u> |
| <b>Financial liabilities</b>                 |                   |                  |
| Measured at amortised cost                   |                   |                  |
| - Bank loans                                 | 10,945,932        | 439,833          |
| Measured at undiscounted amount payable      |                   |                  |
| - Trade and other creditors                  | <u>4,392,638</u>  | <u>5,757,248</u> |
|  | <u>15,338,570</u> | <u>6,197,081</u> |

**20. CALLED UP SHARE CAPITAL**

|                                  |          |                | <b>Group</b>     |              |
|----------------------------------|----------|----------------|------------------|--------------|
| Allotted, issued and fully paid: |          |                | 2019             | 2017         |
| Number:                          | Class:   | Nominal value: | £                | £            |
| 9,000,001                        | Ordinary | £1             | <u>9,000,001</u> | <u>1,000</u> |

8,999,001 Ordinary shares of £1 each were allotted at par during the period.

**21. RESERVES**

| <b>Group</b>          | Retained earnings | Other reserves      | Totals              |
|-----------------------|-------------------|---------------------|---------------------|
|                       | £                 | £                   | £                   |
| At 1 January 2018     | 4,949,337         | -                   | 4,949,337           |
| Profit for the period | 2,747,178         |                     | 2,747,178           |
| Dividends             | (4,179,023)       |                     | (4,179,023)         |
| Arising on merger     | <u>-</u>          | <u>(15,819,977)</u> | <u>(15,819,977)</u> |
| At 31 May 2019        | <u>3,517,492</u>  | <u>(15,819,977)</u> | <u>(12,302,485)</u> |

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**21. RESERVES - continued**

**Company**

|                       | Retained<br>earnings<br>£ |
|-----------------------|---------------------------|
| Profit for the period | <u>463,320</u>            |
| At 31 May 2019        | <u>463,320</u>            |

**22. RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**Transactions with directors**

The Trustees of Turner and Couzens SSAS is owned by two directors. During the period the group paid rent and service charges totalling £146,589 (2017: £102,958).

During the period the group paid rent totalling £25,500 (2017: £13,500) to a director.

A director has a beneficial loan, which will become repayable should the director leave the group totalling £194,000 (2017: £194,000).

A director purchased fixed assets from the group in an arms lengths transaction for a proceeds value of £100,000.

During the period the group purchased services from Augmentum Solutions Limited, a company controlled by a former director in the ordinary course of business at a cost of £174,179. Amounts owed by Augmentum Solutions Limited at the period end were £nil (2017: £nil).

The group is related to RFS Holdings Ltd and its subsidiaries, since RFS Holdings Limited is 100% owned by a director. During the period the group undertook the following transactions with RFS Holdings Limited and its subsidiaries:

|   | Purchases | Sales    | Balance at<br>period end |
|---|-----------|----------|--------------------------|
| RFS Holdings Limited                      | £nil      | £nil     | £6,024                   |
| Consumer Credit Advisory Services Limited | £nil      | £25,828  | £nil                     |
| Regulatory Accounting Limited             | £nil      | £4,154   | £nil                     |
| set For business Limited                  | £1,200    | £nil     | £nil                     |
| Essentia Limited                          | £640      | £54,689  | £482                     |
| Regulatory Law Limited                    | £nil      | £135,474 | £nil                     |

These amounts all relate to trading balances and included within debtors at the reporting date were outstanding amounts of £6,506 (2017: £243,014).

**Transactions with associates**

During the period the group purchased services in the ordinary course of business from Cybsafe Holdings Limited, an associate of the group, at a cost of £11,057 and provided services in the ordinary course of business at a value of £33,600. Amounts owed by the associate at the reporting date were £11 (2017: £450,000).

**23. ULTIMATE CONTROLLING PARTY**

The controlling party is J Turner.

**RFS Holdco 1 Limited**

**Notes to the Consolidated Financial Statements - continued**  
**for the Period 1 January 2018 to 31 May 2019**

**24. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

|  | Period<br>1.1.18<br>to<br>31.5.19<br>£ | Year Ended<br>31.12.17<br>£ |
|--|--|-----------------------------|
| Profit before taxation                           | 3,361,529                              | 1,716,051                   |
| Depreciation charges                             | 319,456                                | 220,856                     |
| (Profit)/loss on disposal of fixed assets        | (469,257)                              | 19,688                      |
| Impairment recognised on other assets            | -                                      | 591,954                     |
| Finance costs                                    | 497,478                                | 49,966                      |
| Finance income                                   | <u>(130)</u>                           | <u>-</u>                    |
|  | 3,709,076                              | 2,598,515                   |
| Decrease/(increase) in trade and other debtors   | 3,820,278                              | (4,636,745)                 |
| (Decrease)/increase in trade and other creditors | <u>(2,768,868)</u>                     | <u>2,850,723</u>            |
| <b>Cash generated from operations</b>            | <b><u>4,760,486</u></b>                | <b><u>812,493</u></b>       |

**25. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Period ended 31 May 2019**

|                           | 31.5.19<br>£     | 1.1.18<br>£      |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | <u>4,577,089</u> | <u>2,672,454</u> |

**Year ended 31 December 2017**

|                           | 31.12.17<br>£    | 1.1.17<br>£      |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | <u>2,672,454</u> | <u>3,971,438</u> |

**RFS Holdco 1 Limited**

**Consolidated Trading and Profit and Loss Account**  
**for the Period 1 January 2018 to 31 May 2019**

|                                  | Period            |                   | Year Ended    |                   |
|----------------------------------|-------------------|-------------------|---------------|-------------------|
|                                  | 1.1.18 to 31.5.19 |                   | 31.12.17      |                   |
|                                  | £                 | £                 | £             | £                 |
| <b>Sales</b>                     |                   | 71,070,128        |               | 51,563,904        |
| <b>Cost of sales</b>             |                   |                   |               |                   |
| Sub contractors                  |                   | <u>54,470,578</u> |               | <u>39,967,532</u> |
| <b>GROSS PROFIT</b>              |                   | 16,599,550        |               | 11,596,372        |
| <b>Other income</b>              |                   |                   |               |                   |
| Sundry receipts                  | 3,847             |                   | 4,092         |                   |
| Deposit account interest         | <u>130</u>        |                   | <u>-</u>      |                   |
|                                  |                   | <u>3,977</u>      |               | <u>4,092</u>      |
|                                  |                   | 16,603,527        |               | 11,600,464        |
| <b>Expenditure</b>               |                   |                   |               |                   |
| Rent                             | 301,045           |                   | 246,860       |                   |
| Rates and water                  | 46,869            |                   | 30,635        |                   |
| Insurance                        | 78,924            |                   | 48,961        |                   |
| Light and heat                   | 35,226            |                   | 23,344        |                   |
| Directors' salaries              | 1,534,230         |                   | 2,068,955     |                   |
| Directors' social security       | 199,343           |                   | 282,037       |                   |
| Directors' pension contributions | 934               |                   | 355           |                   |
| Wages                            | 5,394,070         |                   | 4,252,692     |                   |
| Social security                  | 534,820           |                   | 304,717       |                   |
| Pensions                         | 37,783            |                   | 11,572        |                   |
| Staff health insurance           | 91,234            |                   | 16,624        |                   |
| Staff training                   | 16,459            |                   | 136,811       |                   |
| Office refreshments              | 3,108             |                   | 2,563         |                   |
| Telephone                        | 99,959            |                   | 57,130        |                   |
| Post and stationery              | 18,361            |                   | 23,864        |                   |
| Advertising                      | 144,321           |                   | 139,517       |                   |
| Hotels, travel and subsistence   | 311,878           |                   | 307,475       |                   |
| Motor expenses                   | 54,502            |                   | 43,909        |                   |
| Equipment hire                   | 8,016             |                   | 5,658         |                   |
| Equipment leasing                | 2,936             |                   | 3,210         |                   |
| Repairs and renewals             | 11,703            |                   | 14,541        |                   |
| Cleaning                         | 34,271            |                   | 23,854        |                   |
| General office expenses          | 5,121             |                   | 6,547         |                   |
| Computer costs                   | 174,952           |                   | 197,194       |                   |
| Sundry expenses                  | 22,615            |                   | 12,828        |                   |
| Restructuring costs              | 2,211,965         |                   | -             |                   |
| Accountancy                      | 84,555            |                   | 1,213         |                   |
| Subscriptions                    | 43,160            |                   | 28,967        |                   |
| Consultancy                      | 730,944           |                   | 73,884        |                   |
| Legal and professional fees      | 349,181           |                   | 150,051       |                   |
| Auditors' remuneration           | 31,060            |                   | 38,067        |                   |
| Donations                        | 22,980            |                   | 65,017        |                   |
| Foreign exchange losses          | 384               |                   | 706           |                   |
| Entertainment                    | 123,015           |                   | 147,611       |                   |
| Bad debts                        | -                 |                   | 1,307,465     |                   |
| Race horse running costs         | 79,239            |                   | (683,050)     |                   |
| Market research                  | <u>36,549</u>     |                   | <u>13,364</u> |                   |
|                                  |                   | <u>12,875,712</u> |               | <u>9,405,148</u>  |
| <b>Carried forward</b>           |                   | 3,727,815         |               | 2,195,316         |

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**RFS Holdco 1 Limited****Consolidated Trading and Profit and Loss Account  
for the Period 1 January 2018 to 31 May 2019**

|  | Period            |                         | Year Ended    |                         |
|--|-------------------|-------------------------|---------------|-------------------------|
|  | 1.1.18 to 31.5.19 |                         | 31.12.17      |                         |
|  | £                 | £                       | £             | £                       |
| Brought forward                                  |                   | 3,727,815               |               | 2,195,316               |
| <b>Finance costs</b>                             |                   |                         |               |                         |
| Bank charges                                     | 18,609            |                         | 8,125         |                         |
| Bank loan interest                               | 415,996           |                         | 33,572        |                         |
| Hire purchase interest                           | 9,008             |                         | 16,369        |                         |
| Bank overdraft interest                          | 2,292             |                         | 25            |                         |
| Amortisation of loan costs                       | <u>70,182</u>     |                         | <u>-</u>      |                         |
|  |                   | <u>516,087</u>          |               | <u>58,091</u>           |
|  |                   | 3,211,728               |               | 2,137,225               |
| <b>Depreciation</b>                              |                   |                         |               |                         |
| Goodwill   | 76,223            |                         | -             |                         |
| Long leasehold                                   | 71,573            |                         | 60,816        |                         |
| Other fixed assets                               | 39,531            |                         | 29,397        |                         |
| Fixtures and fittings                            | 72,524            |                         | 71,574        |                         |
| Computer equipment                               | <u>59,605</u>     |                         | <u>57,040</u> |                         |
|  |                   | <u>319,456</u>          |               | <u>218,827</u>          |
|  |                   | 2,892,272               |               | 1,918,398               |
| <b>Profit/(Loss) on disposal of fixed assets</b> |                   |                         |               |                         |
| Other fixed assets                               | (132,042)         |                         | (19,668)      |                         |
| Computer equipment                               | (731)             |                         | -             |                         |
| Fixed asset investments                          | <u>602,030</u>    |                         | <u>-</u>      |                         |
|  |                   | <u>469,257</u>          |               | <u>(19,668)</u>         |
|  |                   | 3,361,529               |               | 1,898,730               |
| <b>Impairment losses</b>                         |                   |                         |               |                         |
| Other fixed assets                               |                   | <u>-</u>                |               | <u>182,679</u>          |
| <b>NET PROFIT</b>                                |                   | <u><u>3,361,529</u></u> |               | <u><u>1,716,051</u></u> |

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