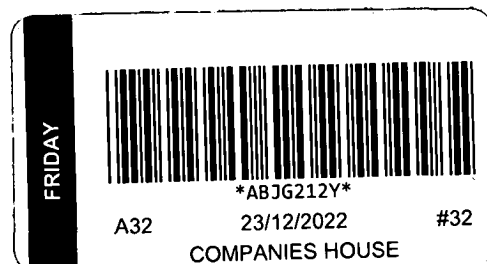


Registered number: 08004376

FORRESTBROWN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



FORRESTBROWN LIMITED

COMPANY INFORMATION

Directors	S Brown S Frank D Jadav M Yirilli
Registered number	08004376
Registered office	Floor 2 10 Templeback Bristol BS1 6FL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 3 Callaghan Square Cardiff CF10 5BT

FORRESTBROWN LIMITED

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FORRESTBROWN LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present the Strategic Report for the year ended 31 December 2021.

Business review

The Directors present a balanced set of results for the Company, during what was a particularly testing year for the UK economy as the country bounced in and out of lockdown and rode a wave of uncertainty.

Turnover was £12,247,596 as the Company traded through a particularly challenging year. The uncertainty surrounding the UK economy during 2020 and 2021 reduced many clients' willingness, or indeed ability, to invest in R&D activities which in turn had a knock-on impact on the Company's turnover. Employee numbers were maintained at a similar level through a combination of natural attrition in some areas complemented by strategic hires in other areas. Headcount averaged 122 across the year.

Investment continued, most notably in an internal claim management system to ensure the business remained in a strong position to continue delivering R&D tax relief advice for clients in a remote working world. This forms part of the infrastructure required to support growth for the foreseeable future with further investment planned across our IT systems, property and people to enhance our offering and ensure we maintain our leading position in an ever more competitive marketplace.

Principal risks and uncertainties

The Company is constantly evaluating the principal risks and uncertainties that could have a potential impact upon its operating and financial performance. The key risks for the business centre around regulation, competition and economic uncertainty.

The R&D tax relief incentive is ever-evolving and the Company remains at the forefront of any policy reforms proposed by government or changes in implementation by HMRC. The Company's long-standing relationships with key HMRC personnel through forums such as the Research and Development Communication Forum mean that it benefits from policy-level insights to help inform advice to clients and development of new services. During 2021, HM Treasury and HMRC initiated a broad consultation into reform of R&D tax reliefs. The Company submitted a detailed response to the first round of this consultation in summer 2021, including data gathered from client case studies and a client survey. In addition, the Company worked with several key industry stakeholders, including the CBI, Chartered Institute of Taxation (CIOT), Association of Accounting Technicians (AAT) and trade associations in R&D intensive sectors, providing specialist technical insight to inform their recommendations. The Company also became a CBI member during 2021 and has been actively involved in its policy work around innovation, tax and R&D tax reliefs, as well as on wider business issues through representation on the South West Regional Council.

In October 2021, the First Tier (tax) Tribunal (FTT) published its judgement in a case brought by the Company's client, Quinn (London) Ltd, against HMRC. The judgement overturned HMRC's decision to deny R&D tax relief to Quinn on the basis that client fees subsidised underlying R&D expenditure and was a notable success for the Company as Quinn's R&D tax relief adviser. The case was a result of a change in approach from HMRC, which had affected a small number of the companies cases during 2021. Over this period and continuing into 2022, this change of approach has become of concern in the wider tax industry, with both CIOT and the CBI noting the issue in their responses to the consultation on R&D tax reliefs. The Company continues to work with these bodies and others in the wider tax industry to secure better certainty for SME businesses on this point.

Competition is evolving as awareness of the R&D tax credit regime grows. The Company is committed to raising awareness of the R&D tax incentives available to companies investing in research and development, ensuring businesses that are eligible to claim can benefit from the tax incentive. It has also made considerable efforts to help educate the market to understand what constitutes good advice which has been necessary as a result of the rising number of new entrants operating in an unregulated environment.

FORRESTBROWN LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Whilst Brexit, COVID-19, the war in Ukraine and now rising inflation have created an environment of economic uncertainty, the Company believes the R&D tax credit incentive will remain an essential part of the government's strategy to increase productivity in the UK, a role recognised in last year's Innovation Strategy and, most recently, in the Digital Strategy published in June 2022.

Financial key performance indicators

The key performance indicators used by the Board to monitor progress include turnover, EBITDA and headcount. Turnover was down 31% in 2021 to £12,247,596 (2020: £17,633,106). As a result, EBITDA was significantly impacted, however, this was a conscious decision made for the longer term. The Company has prioritised safeguarding jobs for our employees, protecting longer term revenue and continuing to serve as many of our clients as possible as they returned to relative normality during the latter half of 2021 and into 2022. All of these actions ensured that the business maintained a strong foundation upon which to build at the start of 2022. Staff numbers reduced due to natural attrition as the Company took the decision to slow down recruitment temporarily in response to the uncertainty around COVID-19 with an average of 122 employees across the year (2020: 136).

Going concern

As at 31 December 2021, the Company's financial arrangements consisted of a cash balance of £4,544,559. There are no other sources of funding in place, with the trading activities of the business providing the day-to-day financing requirements. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its cash reserves for a forecast period of at least 12 months from the approval date of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its consolidated financial statements.

Uncertainty as to the future impact on the Company of the recent COVID-19 outbreak, in particular, has been considered as part of the Company's adoption of the going concern basis. Whilst the Company has experienced a short-term impact on fee income with lower qualifying R&D expenditure and hence fee income, the Company has continued to maintain a balanced mix of existing clients continuing to claim and new clients who are keen to access the valuable R&D tax relief incentive via our market-leading consultancy service. As the business continues to adapt to the new hybrid way of working, all employees can work securely from remote locations due to the cloud-based nature of the Company's IT systems and applications thus ensuring that clients can continue to receive the high standards of service expected.

The resilience of the business is underpinned by a large proportion of the Company's revenue being generated by existing clients. We have seen some businesses thrive in the current environment, reacting quickly to the changing market conditions and identifying opportunities through increased R&D activities. However, the pandemic and the broader macro-economic impact on the global economy is likely to have an adverse impact on the appetite, and indeed ability, of some of our clients to invest in new R&D which would have an adverse effect on our revenue. In addition, the three-month filing deadline extension for businesses brought in during 2020 saw a greater number of our claims sat with clients and accountants awaiting final approval in 2021. Whilst it is impossible to quantify the full impact of this, the three-month extension undoubtedly slowed the actual submission of claims during 2020 and 2021.

FORRESTBROWN LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board have analysed a number of downside scenarios to consider the potential impact of COVID-19 on the Company's results, including performing reverse stress testing on our model and the adverse impact on revenue and cash balances. Known reductions in expenditure within our business have also been modelled reflecting, for example, employees not being located in our offices for a period of time and less travel to visit prospects and client sites for face-to-face meetings, amongst others. Our business planning and mitigating activities are driven by our key priorities during the COVID-19 situation – protecting our cashflow whilst having the flexibility to respond to the needs of our clients and our people. Even under the worst-case downside scenario comprising our reverse stress testing, we are confident that we can take sufficient mitigating action to ensure that our cash balance remains sufficient over the forecast period.

This report was approved by the board on 23/9/2022 and signed on its behalf.

Simon FF Brown

S Brown
Director

FORRESTBROWN LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to £1,575,435 (2020 - profit £1,153,988).

Directors

The directors who served during the year were:

S Brown
S Frank
D Jadav
M Yirilli

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors confirm that:

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

FORRESTBROWN LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Post balance sheet events

Since the year end, COVID-19 has continued to cause major disruption to the UK economy and whilst there has been a successful vaccine roll-out the full longer-term impact of COVID-19 and the effectiveness of the vaccine is still largely unknown. Whilst cases are largely under control with the virus now endemic and the focus of the UK government shifting to living with the virus, we are mindful that the downward impact COVID-19 had on the UK economy in 2020 has continued to impact 2021 and will no doubt have an impact in 2022.

Whilst estimating the potential financial impact on the business, we have performed scenario planning to consider the potential longer-term impact of COVID-19 on the Company's results. Further details of our assumptions behind our forecasts and our assessment of them is detailed within the Strategic Report.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23/9/2022 and signed on its behalf.

Simon FF Brown

S Brown
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORRESTBROWN LIMITED

Opinion

We have audited the financial statements of ForrestBrown Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year 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 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORRESTBROWN LIMITED (CONTINUED)

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORRESTBROWN LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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. This description forms part of our Auditor's Report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORRESTBROWN LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of how the Company is complying with significant legal and regulatory frameworks through inquiries of management;
- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified Financial Reporting Standard 102 and the Companies Act 2006, along with legislation relating to employment, health & safety, and data protection, as those most likely to have a material effect if non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the Company's control environment;
 - the Company's relevant controls over areas of significant risks; and
 - the Company's business processes in respect of classes of transactions that are significant to the financial statements;
- Audit procedures performed by the engagement team included:
 - identifying the significant risks of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions;



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORRESTBROWN LIMITED (CONTINUED)

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
 - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
 - appropriate training, knowledge of the industry in which the Company operates; and
 - understanding of the legal and regulatory requirements specific to the Company.

Use of our report

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

Rhian Owen

Rhian Owen BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
Date: 23/9/2022

FORRESTBROWN LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	12,247,596	17,633,106
Cost of sales		(9,171,270)	(11,172,050)
Gross profit		3,076,326	6,461,056
Administrative expenses		(4,830,471)	(4,953,097)
Other operating income	5	51,928	282,165
Operating (loss)/profit	6	(1,702,217)	1,790,124
Interest receivable and similar income	10	9,778	8,912
(Loss)/profit before tax		(1,692,439)	1,799,036
Tax on (loss)/profit	11	117,004	(645,048)
(Loss)/profit for the financial year		(1,575,435)	1,153,988

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020: £Nil).

The notes on pages 15 to 29 form part of these financial statements.

FORRESTBROWN LIMITED
REGISTERED NUMBER:08004376

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	12		397,828		705,096
			<u>397,828</u>		<u>705,096</u>
Current assets					
Debtors: amounts falling due within one year	13	9,958,691		9,370,926	
Cash at bank and in hand	14	4,544,559		7,156,594	
		<u>14,503,250</u>		<u>16,527,520</u>	
Creditors: amounts falling due within one year	15	(1,675,961)		(3,737,831)	
Net current assets			<u>12,827,289</u>		<u>12,789,689</u>
Total assets less current liabilities			<u>13,225,117</u>		<u>13,494,785</u>
Creditors: amounts falling due after more than one year	16		(65,579)		(109,297)
Provisions for liabilities					
Deferred tax	17	-		(32,031)	
Other provisions	19	(285,348)		(285,348)	
			<u>(285,348)</u>		<u>(317,379)</u>
Net assets			<u>12,874,190</u>		<u>13,068,109</u>
Capital and reserves					
Called up share capital	20		124		124
Share premium account	22		2,327		2,327
Profit and loss account	22		12,871,739		13,065,658
			<u>12,874,190</u>		<u>13,068,109</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23/9/2022

Simon FF Brown

S Brown
Director

The notes on pages 15 to 29 form part of these financial statements.

FORRESTBROWN LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	124	2,327	13,065,658	13,068,109
Comprehensive income for the year				
Loss for the year	-	-	(1,575,435)	(1,575,435)
Total comprehensive income for the year	-	-	(1,575,435)	(1,575,435)
Contributions by and distributions to owners				
Share based payment	-	-	1,381,516	1,381,516
At 31 December 2021	124	2,327	12,871,739	12,874,190

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	124	2,327	14,318,768	14,321,219
Comprehensive income for the year				
Profit for the year	-	-	1,153,988	1,153,988
Total comprehensive income for the year	-	-	1,153,988	1,153,988
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(3,746,598)	(3,746,598)
Share based payment	-	-	1,339,500	1,339,500
At 31 December 2020	124	2,327	13,065,658	13,068,109

The notes on pages 15 to 29 form part of these financial statements.

FORRESTBROWN LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,575,435)	1,153,988
Adjustments for:		
Depreciation of tangible assets	363,439	422,765
(Gain)/loss on disposal of tangible assets	(5,181)	2,743
Interest received	(9,778)	(8,912)
Taxation (credit)/charge	(117,004)	645,048
(Increase)/decrease in debtors	(265,682)	2,860,595
(Increase)/decrease in amounts owed by groups	(243,502)	249,171
(Decrease) in creditors	(1,883,884)	(453,647)
Share based payment	1,381,516	1,339,500
Corporation tax (paid)	(215,312)	(817,849)
Net cash generated from operating activities	<u>(2,570,823)</u>	<u>5,393,402</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(56,323)	(102,681)
Sale of tangible fixed assets	5,333	-
Interest received	9,778	8,912
Net cash from investing activities	<u>(41,212)</u>	<u>(93,769)</u>
Cash flows from financing activities		
Dividends paid	-	(3,746,598)
Net cash used in financing activities	<u>-</u>	<u>(3,746,598)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2,612,035)</u>	<u>1,553,035</u>
Cash and cash equivalents at beginning of year	7,156,594	5,603,559
Cash and cash equivalents at the end of year	<u><u>4,544,559</u></u>	<u><u>7,156,594</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,544,559	7,156,594
	<u><u>4,544,559</u></u>	<u><u>7,156,594</u></u>

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

ForrestBrown Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Floor 2, 10 Templeback, Bristol, England, BS1 6FL.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presenting in Sterling (£), which is the functional currency of the Company. Amounts are rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

There is currently a high level of macro-economic uncertainty due to Covid 19. The preparation of the financial statements requires the directors to make a number of estimates, including an assessment of the appropriateness of the going concern basis of the preparation of the financial statements. This assessment includes a review of the future economic environment and the Company's future prospects and performance.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from contracts for the provision of professional services represents the majority of the income. This revenue is recognised when claims have been submitted to the tax authorities as the outcome of an assignment is probable once a claim is submitted. A provision is made to cover claims that may be subject to enquiry and subsequently adjusted. This provision is based on an analysis of retrospective data.

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared under the going concern basis of accounting.

The uncertainty as to the future impact on the Company due to the recent COVID-19 outbreak in particular has been considered as part of the Company's adoption of the going concern basis. Directors have prepared a 'Risk adjusted' forecast which is considered to be a prudent view, taking into account their view of the possible impact of COVID-19 on the business.

To date in 2022, the Company has seen an upturn in business as the UK economy starts to focus on life after the pandemic. There are green shoots of recovery showing across the UK economy as businesses begin to reopen, employees return to a more stable working pattern and trade continues to pick up, with recent announcements showing that there are more job vacancies than there are unemployed for the first time since records began.

Whilst there are new inflationary pressures and rising interest rates, the Company is in a strong position to support UK businesses with their R&D tax advice. The Company took a conscious decision very early on not to furlough any staff, instead managing the headcount costs through natural attrition, which means that as economic activity has picked up in 2022 the Company is well placed to work alongside existing clients and continue to attract new ones to ensure they take advantage of the R&D tax relief as a key source of funding.

The Company's client base is diversified and robust with a large proportion of revenue coming from strong existing client relationships. The Company has no debt or financing arrangements in place and is funded solely through its trading activity and has healthy cash balances. All of this puts the Company in a strong position to support the going concern basis of accounting.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Share based payments

When share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. When the Company participates in a share based payment arrangement in which the share options are in its parent Company, the Company accounts for the expense with the corresponding credit being taken to retained earnings and treated as a capital contribution.

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- Over the remaining life of the lease
Fixtures and fittings	- Over 3 years
Computer equipment	- Over 2 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates.

Enquiry provision

The Company recognises revenue at the point at which it can be reliably estimated and is considered probable. This is deemed to be upon claim submission. The tax authorities can however open an enquiry into any claim for a period after submission and this enquiry may lead to the claim being restated downwards leading to a reduction in the Company's share of revenue.

Management exercise judgement in estimating the provision required for claims that do go to enquiry and that are subsequently restated downwards as a result. Management base their assessment on an analysis of historical enquiry data which shows that the impact on revenue recognised has not been significant in the past and is not expected to be for claims submitted to the year end date.

Management continually review trends in respect of claims that go to enquiry and revise the provision accordingly.

Work-in-progress

No provision is made for the additional work required for dealing with the enquiries. In addition, no work-in-progress is provided for unsubmitted claims at varying stages of completion at the year end date as the impact of these is not considered to be material.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Provision of professional services	<u>12,247,596</u>	<u>17,633,106</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	<u>12,247,596</u>	<u>17,633,106</u>

5. Other operating income

	2021 £	2020 £
Other operating income	<u>51,928</u>	<u>282,165</u>

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Operating (loss)/profit

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

	2021	2020
	£	£
Exchange differences	-	42
Operating lease rentals	835,050	776,992
Depreciation of tangible fixed assets	363,439	422,765
	<u> </u>	<u> </u>

7. Auditor's remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	26,175	27,295
	<u> </u>	<u> </u>

Fees payables to the Company's auditor and its associates in respect of:

Taxation compliance services	4,500	5,948
All other services	1,000	10,093
	<u> </u>	<u> </u>
	<u>5,500</u>	<u>16,041</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2021	2020
	£	£
Wages and salaries	6,353,771	8,954,886
Social security costs	708,123	875,639
Cost of defined contribution scheme	248,377	246,314
	<u> </u>	<u> </u>
	<u>7,310,271</u>	<u>10,076,839</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	No.	No.
Average number	122	136
	<u> </u>	<u> </u>

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	144,754	230,867
Company contributions to defined contribution pension schemes	5,200	9,200
	<u>149,954</u>	<u>240,067</u>

During the year retirement benefits were accruing to 1 director (2020 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £144,754 (2020 - £230,867).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,200 (2020 - £9,200).

10. Interest receivable

	2021 £	2020 £
Other interest receivable	<u>9,778</u>	<u>8,912</u>

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	1,778	725,858
Adjustments in respect of previous periods	(69,800)	-
	<u>(68,022)</u>	<u>725,858</u>
Total current tax	<u>(68,022)</u>	<u>725,858</u>
Deferred tax		
Origination and reversal of timing differences	(48,982)	(80,810)
Total deferred tax	<u>(48,982)</u>	<u>(80,810)</u>
Taxation on (loss)/profit on ordinary activities	<u>(117,004)</u>	<u>645,048</u>

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit on ordinary activities before tax	<u>(1,692,439)</u>	<u>1,799,036</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(321,563)	388,867
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	264,242	3,139
Fixed asset differences	827	2,688
Adjustments to tax charge in respect of prior periods	(69,800)	-
Difference in deferred tax rates	-	11,441
Adjustment to deferred tax charge in respect of prior periods	17,597	(15,592)
Income not taxable for tax purposes	(8,307)	-
Share based payment charge	-	254,505
Total tax (credit)/charge for the year	<u>(117,004)</u>	<u>645,048</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2021	1,065,256	142,545	249,202	1,457,003
Additions	-	338	55,985	56,323
Disposals	(1,457)	-	(32,581)	(34,038)
At 31 December 2021	<u>1,063,799</u>	<u>142,883</u>	<u>272,606</u>	<u>1,479,288</u>
Depreciation				
At 1 January 2021	469,753	83,461	198,693	751,907
Charge for the year on owned assets	258,448	42,387	62,604	363,439
Disposals	(1,457)	-	(32,429)	(33,886)
At 31 December 2021	<u>726,744</u>	<u>125,848</u>	<u>228,868</u>	<u>1,081,460</u>
Net book value				
At 31 December 2021	<u>337,055</u>	<u>17,035</u>	<u>43,738</u>	<u>397,828</u>
At 31 December 2020	<u>595,503</u>	<u>59,084</u>	<u>50,509</u>	<u>705,096</u>

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Debtors

	2021 £	2020 £
Trade debtors	653,499	849,676
Amounts owed by group undertakings	3,740,929	3,497,427
Other debtors	496,733	347,042
Prepayments and accrued income	5,050,579	4,676,781
Deferred taxation	16,951	-
	<u>9,958,691</u>	<u>9,370,926</u>

14. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>4,544,559</u>	<u>7,156,594</u>

15. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	332,645	556,991
Corporation tax	-	221,704
Other taxation and social security	393,747	1,293,187
Other creditors	1,514	-
Accruals and deferred income	948,055	1,665,949
	<u>1,675,961</u>	<u>3,737,831</u>

16. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Accruals and deferred income	<u>65,579</u>	<u>109,297</u>
	<u>65,579</u>	<u>109,297</u>

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Deferred taxation

	2021 £	2020 £
At beginning of year	(32,031)	(112,841)
Charged to profit or loss	48,982	80,810
At end of year	16,951	(32,031)

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(16,374)	(63,982)
Tax losses carried forward	33,325	31,951
	16,951	(32,031)

18. Analysis of net debt

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	7,156,594	(2,612,035)	4,544,559

19. Provisions

	Dilapidations provision £
At 1 January 2021	285,348
At 31 December 2021	285,348

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
5,500 (2020 - 5,500) A Ordinary shares of £0.01 each	55	55
4,500 (2020 - 4,500) B Ordinary shares of £0.01 each	45	45
2,350 (2020 - 2,350) C Ordinary shares of £0.01 each	24	24
	<u>124</u>	<u>124</u>

All share classes rank pari passu in all respects.

21. Share based payments

In 2018, 44,729 share options were granted to employees (or closely connected individuals) of ForrestBrown Limited. These options are registered in the name of company's ultimate parent company alliantgroup, LP. The options vest based on continued employment and vest in equal installments 25% each year over 4 years. 75% are exercisable as at 31 December 2021. In deriving the fair value the parent company used the Black Scholes model. The full expense has been recognised in ForrestBrown Limited as this is where the service is provided. The total expense recognised in 2021 was £1,213,449 (2020: £1,213,449).

In 2020, 5,500 share options were granted to employees of ForrestBrown Limited. These options are registered in the name of the company's ultimate parent company alliantgroup, LP. The options vest on continued employment and vest in equal installments at 25% each year over 4 years. 50% are exercisable as at 31 December 2021. In deriving the fair value the parent company used the Black Scholes model. The full expense has been recognised in ForrestBrown Limited as this is where the service is provided. The total expense recognised in 2021 was £168,067 (2020: £126,051).

22. Reserves**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

Includes all current and prior periods retained profits and losses.

23. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £248,377 (2020: £246,314).

FORRESTBROWN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

24. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	748,574	881,398
Later than 1 year and not later than 5 years	2,207,322	2,983,131
Later than 5 years	778,178	-
	<u>748,574</u>	<u>2,983,131</u>

25. Related party transactions

Under FRS 102, the company is not required to disclose transactions entered into between itself and Alliant Global Corporation ("AGC") as it is a wholly owned subsidiary of AGC.

Key management remuneration amounted to £1,592,850 (2020: £1,955,127).

Share options were also issued to Key management personnel in the period. The charge is noted within note 21.

26. Controlling party

The immediate parent undertaking of the company by virtue of its entire holding of the entity's share capital is Alliant Global Corporation ("AGC"), a company incorporated in the United States. The ultimate parent undertaking is alliantgroup, LP, a company incorporated in the United States. The company's results are not consolidated into accounts that are publicly available. There is not considered to be an ultimate controlling party.