NES Group Limited

Annual report and financial statements
for the year ended 31 October 2022

Registered number: 03685787

Officers and professional advisers

DIRECTORS

S.W. Buckley
S.F. Coton

REGISTERED OFFICE

Station House
Stamford New Road
Altrincham
Cheshire
WA14 1EP

AUDITOR

Deloitte LLP
The Hanover Building
Corporation Street
Manchester
M4 4AH
United Kingdom

BANKERS

The Royal Bank of Scotland plc
1 Hardman Boulevard
Manchester
M3 3AQ
United Kingdom

HSBC Bank PLC
4 Hardman Square
Spinningfields
Manchester
M3 3EB
United Kingdom

Deutsche Bank
345 Park Avenue
New York 10154
USA

Strategic report

For the year ended 31 October 2022

The directors present the strategic report on the company for the year ended 31 October 2022.

Principal activity and business model

The principal activity of the company is that of a holding company and providing support to other members of the NES Fircroft group.

Strategy and objectives

The main strategy and objective of the company is to continue to act as a support function and to assist fellow group undertakings in achieving their strategic objectives and long-term vision.

Business review and key performance indicators

The company does not trade externally. The only costs incurred are support costs for the group operations. As such, the directors consider the administrative expenses of the company as key performance indicators. The administrative expenses incurred in the current year are £21,309,000 (2021: £14,802,000).

The company has net assets of £100,857,000 at 31 October 2022 (2021: £142,926,000). The financial position is shown in the balance sheet on page 12.

Principal risks and uncertainties

Financial risks

As part of its ordinary activities, the company is exposed to a number of financial risks, including liquidity risk, exchange rate risk and credit risk. The company has policies and procedures in place to monitor and manage these risks.

Liquidity risk relates to the company's ability to meet the cash flow requirements of the operations, while avoiding excessive levels of debt and breach of debt covenants. The company's borrowings are principally in the form of balances with other group companies.

Management continuously assesses the acknowledged exchange rate risk that the company is subject to at the present time. The company's exposure to exchange rate risk is continually monitored by management with appropriate steps taken to minimise the risk of adverse currency movements.

The company's credit risk is primarily attributable to its intercompany receivables, with the amounts presented in the balance sheet being net of allowances for doubtful receivables. The directors continuously review the ongoing value for any doubt and make any adjustments as necessary.

These risks are kept under constant review.

Principal risks and uncertainties (continued)

Environmental reporting
The NES Fircroft group fully supports the goals of the Paris Agreement as well as the target set by the UK Government of net zero emissions by 2050. The Renewables and Alternative Energies markets have developed at pace in recent years, a market in which we have continued to support our clients' efforts to increase their focus on developing sustainable low carbon solutions by providing the engineers and technical workforce needed to support this.

In support of carbon neutral growth, the group monitor and offset 100% of our business travel, making our entire corporate air travel footprint carbon neutral. We seek to do business responsibly and continually strive to improve our environmental behaviours and footprint. We report our UK energy consumption in line with the Greenhouse Gas Protocol. Over the course of the reported year, we were able to reduce our emissions by 16% (2021: 9%) overall, consistent with our target for a year-on-year reduction in energy consumption.

Future outlook
Management expect the business to continue to act as a holding and support company.

The strategic report of NES Group Limited was approved by the board of directors and signed on its behalf on 30 June 2023 by:

S.W. Buckley
Director

Directors' report

For the year ended 31 October 2022

The directors present their annual report on the affairs of the company, together with the audited financial statements for the year ended 31 October 2022.

Results and dividends

The audited financial statements for the year ended 31 October 2022 are set out on pages 11 to 25. The directors do not recommend the payment of a dividend (2021: no dividend). No dividends were paid in respect of prior periods during the year.

Going concern

After making enquiries and based on the assumptions outlined in note 1 to the financial statements, the directors have concluded that the company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Based on the strong trading relationship between this company and the parent company, the directors of this company have sought and received a commitment in writing from NES Global Talent Limited that it will provide support as may be necessary for the foreseeable future, which is a period of at least twelve months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Matters included in the strategic report

In accordance with s414(C) (11) of the Companies Act, included in the strategic report is information relating to the future development and financial risk management policies (as part of principal risk and uncertainties) of the business which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a directors' report.

Directors

The directors who served during the year and thereafter are as follows:

S.W. Buckley
S.F. Coton

Director indemnities

The group has indemnity insurance in place on behalf of all of its directors during the year, which remains in force at the date of this report.

Employees

The average number of staff during the year was 155 (2021: 129). Details of number of employees and related cost can be found in note 6 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of member of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

Auditor
In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the next directors meeting.

Approved by the board of directors and signed on behalf of the board by,

S.W. Buckley

Director

30 June 2023

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with the 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 of the company and of the 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 judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent auditor's report to the members of NES Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of NES Group Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 October 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the company which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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 Financial Reporting Council's (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

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.

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.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Classification of exceptional items:
  - Obtained an understanding of the management review controls relating to exceptional items;
  - Obtained management's exceptionals paper which details all exceptional items recognised for the year ended 31 October 2022;
  - Evaluated a sample of exceptional items for detailed testing. For each item selected we obtained detailed supporting commentary on the rationale for classifying the particular item as exceptional, assessed the classification against both accounting policy and IAS 1 requirements and agreed to supporting documentation – including but not limited to settlements, legal letters, contracts or invoices.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Andrew Halls FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
30 June 2023

Profit and loss account

For the year ended 31 October 2022

	Notes	2022 £'000	2021 £'000
Administrative expenses		(21,309)	(14,802)
Other operating income	2	40,195	22,318
Operating profit		18,886	7,516
Net finance income/(charges)	3	2,615	(102)
Exceptional items	5	(373)	(319)
Profit before taxation	4	21,128	7,095
Tax on profit	7	(2,926)	(535)
Profit for the financial year		18,202	6,560

All activity has arisen from continuing operations.

The company has no recognised gains or losses in either year other than the loss for each financial year shown above. Accordingly, a separate statement of comprehensive income has not been prepared.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

As at 31 October 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Investments	8	-	-
Intangible assets	9	2,276	2,304
Tangible assets	10	286	329
Non-current other receivables	11	358,300	-
		360,862	2,633
Current assets			
Debtors	12	3,285	497,554
Cash at bank and in hand		24,247	11,717
		27,532	509,272
Creditors: Amounts falling due within one year	13	(285,112)	(366,553)
Net current (liabilities)/assets		(257,580)	142,719
Total assets less current liabilities		103,282	145,352
Creditors: Amounts falling due after more than one year	14	(2,425)	(2,425)
Net assets		100,857	142,926
Capital and reserves			
Called-up share capital	16	3,702	3,702
Share premium account		597	597
Other reserves	17	2,060	2,060
Profit and loss account		94,498	136,567
Shareholder's funds		100,857	142,926

The financial statements of NES Group Limited, registered company number 03685787, were approved by the board of directors and authorised for issue on 30 June 2023 and signed on its behalf by:

S.W. Buckley

Director

The accompanying notes are an integral part of this balance sheet.

Statement of changes in equity

For the year ended 31 October 2022

	Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 31 October 2020	3,702	597	2,060	130,007	136,366
Profit for the year and total comprehensive income	-	-	-	6,560	6,560
At 31 October 2021	3,702	597	2,060	136,567	142,926
Profit for the year and total comprehensive income	-	-	-	18,202	18,202
Distributions (note 20)	-	-	-	(60,271)	(60,271)
At 31 October 2022	3,702	597	2,060	94,498	100,857

The accompanying notes are an integral part of this statement of changes in equity.

Notes to the financial statements

For the year ended 31 October 2022

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and the preceding year.

The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report.

a) General information and basis of accounting

NES Group Limited (the company) is a private company limited by shares and incorporated in the United Kingdom under the Companies Act and is registered in England and Wales.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company has taken advantage of section 400 of the Companies Act 2006 in not producing consolidated financial statements, as it is a subsidiary of NES Fircroft Limited which itself produces consolidated financial statements. Copies of these financial statements are available from its registered office at Station House, Stamford New Road, Altrincham, Cheshire, WA14 1EP.

b) Going concern

The performance, financial position and the key risks impacting the company are detailed in the strategic report and directors' report on pages 2 to 5. The company is a subsidiary of NES Global Talent Limited, which manages its working capital on a pooled basis across the group. Based on the strong trading relationship between this company and the parent company, the directors of this company have sought and received a confirmation from the parent company that it will provide support as may be necessary for the foreseeable future, which is a period of at least twelve months from the date of signing these financial statements.

The NES Global Talent group has significant unutilised working capital financing facilities in place and manages its day-to-day working capital requirements through short- and medium-term credit facilities which ensures that it can meet its liabilities as and when they fall due. The client base consists of customers with strong credit ratings and credit insurance is maintained for key clients, further reducing risk.

On 14 September 2022, NES Fircroft Bondco AS a member of the wider NES Global Talent group, secured committed funding via a senior secured bond which was used for the repayment of the senior term loan held within the group. The bond is due for repayment in 2026 and attracts interest at 11.75%. The group also secured committed funding via a $72m revolving credit facility which replaced the existing revolving credit facility. The new facility matures in 2026.

The combined group facilities in place at 31 October 2022 consist of a $72 million revolving credit facility and $157 million of invoice discounting facilities. Subsequent to year end, the revolving credit facility was increased by $12 million to $84 million. Despite the continued increase in trade since year end, the group had undrawn committed facilities of $102m at 31 May 2023, showing the group continues to have significant unutilised financing facilities in place.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group expects to operate within the level of its current facilities and covenants. Scenario analysis has been performed on these forecasts, taking into account upside and downside sensitivities to flex EBITDA by 10%. The key sensitivities within the forecasts are current and future growth in trading performance. As such, management would consider mitigating actions to manage the growth of the business in line with the facilities that are in place, if required.

1 Accounting policies (continued)

b) Going concern (continued)

The forecasts showed ongoing compliance with financial covenants and no liquidity issues for the period to the end of July 2024.

In line with current FRC guidance a reverse stress test was also performed which shows that EBITDA would need to rise or fall by more than double the above sensitised amounts before a breach in financial covenants would occur. The directors consider the likelihood of such a scenario to be remote.

The directors therefore have a reasonable expectation that the NES Global Talent group has adequate resources to continue in operational existence for the foreseeable future and therefore support all its subsidiaries. Accordingly, the company as adopted the going concern basis in preparing the financial statements.

c) Other operating income and interest income

Other income consists of franchise fee income charged to other group entities for the provision of support services and is recognised on an accruals basis. Interest income is recognised as interest accrues using the effective interest method.

d) Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

e) Exceptional items

Exceptional items are those that the directors consider need to be disclosed separately in the financial statements to provide a true and fair view by virtue of their size or incidence; all exceptional items are charged in arriving at profit before taxation in the financial statements.

f) Investments

Fixed asset investments are shown at cost, less provision for any impairment.

g) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	-	over five years
Computer equipment	-	over three years

Assets under the course of construction are recognised within intangible fixed assets where a project is ongoing but is not yet complete. Depreciation is not provided until the asset is fully complete and ready for use.

Residual value is calculated on prices prevailing at the date of acquisition.

1 Accounting policies (continued)

h) Intangible assets
Intangible assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is recognised in administrative expenses and is provided on all intangible assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	-	over five years

Residual value is calculated on prices prevailing at the date of acquisition.

Assets under the course of construction are recognised within intangible fixed assets where a project is ongoing but is not yet complete. Amortisation is not provided until the asset is fully complete and ready for use.

i) Pension costs
The company makes contributions to the personal defined contribution pension schemes of certain employees. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. The pension balance owing at the year-end held on the balance sheet is £28,000 (2021: £17,000).

j) Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

k) Foreign currency translation
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the profit and loss account.

l) Exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the available exemptions to not disclose:

a) A statement of cash flows;
b) Certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the company is consolidated; and
c) Key management personnel compensation in total.

1 Accounting policies (continued)

m) Impairment of assets
Assets, other than those measured at fair value, are 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
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets
For financial assets carried at amortised cost, the amount of 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 reporting 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 asset 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.

n) Other reserves
Other reserves arose as a result of a waiver of accrued preference share dividends and on the redemption of preference shares.

o) Financial instruments
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

1 Accounting policies (continued)

o) Financial instruments (continued)
Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments
Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

p) *Critical accounting judgements*
In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The directors do not consider structure there to be any critical accounting judgements that must be applied.

q) *Key sources of estimation uncertainty*
The company makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actuals results. The director do not consider there to be any estimates or assumptions that have a significant risk of causing a material adjustment to carry value of assets and liabilities within the next financial year.

2 Other operating income

	2022 £'000	2021 £'000
Franchise fees	40,195	22,318

3 Net finance (charges)/income

	2022 £'000	2021 £'000
Bank interest	803	(946)
Foreign exchange loss	(1,948)	(1,717)
Interest payable to group undertakings	17,892	(10,707)
Interest receivable from group undertakings	(19,362)	13,268
	(2,615)	(102)

4 Profit before taxation

Profit before taxation is stated after charging:

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets	159	141
Amortisation of intangible assets	865	715
Auditor's remuneration:		
- fees payable to the company's auditor for the audit of the company's financial statements	123	53
- fees payable to the company's auditor for tax advisory services to the company	6	3

5 Exceptional expenditure

	2022 £'000	2021 £'000
Restructuring costs	373	319

Restructuring costs – relate to various restructuring activities.

6 Staff costs

Particulars of employees, are as shown below:

	2022 £'000	2021 £'000
Employee costs during the year amounted to:		
Wages and salaries	11,048	8,362
Social security costs	867	650
Other pension costs	157	124
	12,072	9,136

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

	2022 Number	2021 Number
Administration	155	129

The total amounts for directors' remuneration were as follows:

	2022 £'000	2021 £'000
Emoluments	1,381	1,198

During the year 1 (2021: none) director accrued benefits under money purchase pension schemes. The above amounts for remuneration include the following in respect of the highest paid director:

	2022 £'000	2021 £'000
Emoluments	724	628

7 Tax on profit

The tax charge comprises:

	2022 £'000	2021 £'000
Current tax		
Total current tax charge	2,940	521
Deferred tax		
Origination and reversal of timing differences	-	13
Adjustment in respect of prior periods	(13)	1
Total deferred tax charge (see note 15)	(13)	14
Total tax charge	2,927	535

The differences between the total tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2022 £'000	2021 £'000
Profit before tax	21,128	7,095
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	4,014	1,348
Effects of:		
(Income not taxable)/expenses not deductible for tax purposes	189	8
Adjustments in respect of other taxes	-	97
Group relief claimed for nil consideration	(939)	(970)
Deferred tax on short-term timing differences not previously recognised	-	(11)
Deferred tax rate change adjustment	-	24
Adjustment in respect of withholding taxes	775	424
Impact of overseas subsidiaries being taxed locally and in the UK	(1,100)	(386)
Deferred tax prior year adjustment	(13)	1
Tax charge for the year	2,926	535

UK corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit or loss for the year. An increase in the UK corporation tax rate from 19% to 25% from 1 April 2023 was included in Finance Act 2021 and substantively enacted on 24 May 2021.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their net book value. Deferred tax is determined using the tax rate that has been substantively enacted at the balance sheet date, and that is expected to apply when the related tax asset is realised or the deferred income tax liability is settled.

8 Investments

The company has investments in the following subsidiary undertakings. All subsidiary undertakings are incorporated in the United Kingdom and registered in England and Wales.

Company name	Principal activity	Holding	%
NESCO Holdings Limited	Holding company	Ordinary	100
NES Trustees Limited	Trustee company	Ordinary	100
NES IT Limited	Provision of technical recruitment agency services	Ordinary	100
Aim Academy Limited	Provision of services to the group	Ordinary	100
North Eagle Star Limited	Provision of services to the group	Ordinary	100

The registered address of all of the company's subsidiary undertakings is Station House, Stamford New Road, Altrincham, Cheshire, WA14 1EP.

	Subsidiary undertakings £'000
Cost and net book value	
At 1 November 2021 and 31 October 2022	-

9 Intangible assets

The movement in the year was as follows:

	Assets under construction	Computer software	Total
	£'000	£'000	£'000
Cost			
At 1 November 2021	549	6,122	6,671
Transfers	(541)	541	-
Additions	91	746	837
At 31 October 2022	99	7,409	7,508
Amortisation			
At 1 November 2021	-	4,367	4,367
Charge for the year	-	865	865
At 31 October 2022	-	5,232	5,232
Net book value			
At 31 October 2022	99	2,177	2,276
At 31 October 2021	549	1,755	2,304

Amortisation of intangible assets is included within administrative expenses in the profit and loss account.

10 Tangible fixed assets

The movement in the year was as follows:

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 November 2021	113	796	909
Additions	6	110	116
Disposals	(6)	(325)	(331)
At 31 October 2022	113	581	694
Depreciation			
At 1 November 2021	35	545	580
Charge for the year	22	137	159
Disposals	(6)	(325)	(331)
At 31 October 2022	51	357	408
Net book value			
At 31 October 2022	62	224	286
At 31 October 2021	78	251	329

11 Non-current other debtors

	2022 £'000	2021 £'000
Amounts falling due after one year:		
Amounts owed by group undertakings	358,300	-

Amounts owed by group undertakings are unsecured and there is no intention to recall within the next 12 months. Interest is charged at a rate of between 2%-8%.

12 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	-	495,459
Corporation Tax	465	-
Other debtors	1,298	1,018
Prepayments and accrued income	1,024	934
Value added tax	498	143
	3,285	497,554

Amounts owed by group undertakings in the prior year are unsecured and repayable on demand. Interest is charged at a rate of between 2%-8%.

13 Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Bank overdraft	4,000	7,182
Trade creditors	2,512	1,751
Amounts owed to group undertakings	274,417	354,482
Other taxation and social security creditors	56	191
Deferred tax liability (note 15)	79	92
Accruals and deferred income	4,048	2,855
	285,112	366,553

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is charged at a rate of 2%-9% (2021: 2%-8%).

14 Creditors: Amounts falling due after more than one year

	2022 £'000	2021 £'000
Preference shares	2,425	2,425

This balance consists of 556,700 'A' redeemable preference shares of £1 each and 1,868,450 'B' redeemable preference shares of £1 each. The shares carry no entitlement to dividend and were due to be redeemed for cash at a price of £1 per share on 1 November 2008. However, due to insufficient distributable reserves, the shares have not yet been redeemed. Holders of the redeemable preference shares have one vote for every share held but only on a resolution for the winding-up of the company and on a resolution affecting the rights attached to the shares.

On the return of assets whether in a winding-up or reduction of capital or otherwise, the assets and retained profits of the company available for distribution among the members will be applied as follows: the 'A' and 'B' preference shares will be redeemed at par; the preferred ordinary shareholders will be paid the amounts credited as paid up on the preferred ordinary shares; the ordinary shareholders will be paid the amounts credited as paid up those ordinary shares; the remainder will be distributed to ordinary shareholders, preferred ordinary shareholders and deferred shares in proportions depending on the value and nature of the consideration.

The preference shares are redeemable at any time, however the directors do not anticipate that the shares will be redeemed within the next 12 months. Accordingly, the preference shares are disclosed within amount falling due after more than one year.

15 Deferred tax

At 31 October 2022, there is a deferred tax liability recognised in respect of capital allowances in excess of depreciation, and a deferred tax asset recognised in respect of other short term timing differences.

	2022 £'000	2021 £'000
Beginning of the year	92	78
Prior year adjustments - (credit)/charge	(13)	1
Charge/(credit) for the year	-	(11)
Rate change adjustment	-	24
End of the year liability	79	92

	2022 £'000	2021 £'000
Accelerated capital allowances	135	163
Other short term timing differences	(56)	(71)
	79	92

It is not possible to reliably estimate when the deferred tax liability will reverse.

There are no unrecognised deferred tax balances (2021: £nil).

16 Called-up share capital

	2022 £'000	2021 £'000
Allotted, called-up and fully-paid		
610,000 ordinary shares of 1p each	6	6
8,626,416 preferred ordinary shares of 1p each	86	86
361,000,000 deferred shares of 1p each	3,610	3,610
	3,702	3,702

Deferred shares carry no right to share in any distribution until at least £100 million has been distributed on each ordinary share and preferred ordinary share. Once such amount has been distributed, the deferred shares will rank pari passu with the other classes of shares.

Holders of deferred shares have one vote for every share held but are not entitled to vote at any general meeting of the company.

17 Other reserves

Other reserves arose as a result of a waiver of accrued preference share dividends and on the redemption of preference shares.

18 Guarantees and other financial commitments
The company has entered into a joint guarantee and indemnity in respect of bank facilities granted to fellow subsidiaries amounting to £6,724,000 at 31 October 2022 (2021: £1,468,000).

On 3 October 2013, the company entered into a joint guarantee to a credit agreement. During the year ended 31 October 2018, these banking facilities were refinanced and extended up to a value of $335 million (equivalent of GBP: £259 million). On 18 September 2020, the group entered into a business combination with the Fircroft group. As part of the transaction, the banking facilities were extended up to a value of $347 million (equivalent £271 million). £190 million of the facilities were drawn down at 31 October 2021. On 14 September 2022, NES Fircroft Bondco AS, a member of the wider NES Fircroft Group, secured committed funding via a senior secured bond which was used to fully repay these facilities. The bond totaling $300 million, (equivalent to £258 million), was listed on Borse Frankfurt on 11 October 2022, and is due for repayment in 2026. The company is part of a new joint guarantee of the bond and new RCF of $72 million, (equivalent to £62 million). Subsequent to year end, the new revolving credit facility was increased by $12 million to $84 million, (equivalent to £72 million).

19 Related party transactions
FRS 102 Section 33.1A does not require disclosure of transactions entered into between two or more members of the group, provided that any subsidiary which is a party to the transaction is a wholly owned member. These transactions were therefore not disclosed in these financial statements.

AEA Investors LP and Akastor AS are limited partners of NES Global Talent LP (note 21).

Management fees of £500,000 (2021: £500,000) payable to AEA Investors LP and £100,000 payable to Akastor AS (2021: £99,000) were charged to profit and loss during the year. Amounts owing to AEA Investors LP at the balance sheet date are £125,000 (2021: £172,000) and amounts owing to Akastor AS at the balance sheet date are £25,000 (2021: £9,000).

20 Distributions
Distributions shown in the Statement of changes in equity relate to loan balance write offs between NES Group Limited and other group entities on 1st November 2021.

21 Ultimate parent company and ultimate controlling party
The directors consider NES Global Talent Limited, a company incorporated in England and Wales, to be the ultimate parent company. NES Global Talent Limited is wholly owned by NES Global Talent LP, a Scottish limited partnership, of which the limited partners are funds managed and advised by AEA Investors LP, certain co-investors and management. The registered office and place of business of NES Global Talent LP is Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG. The general partner of NES Global Talent LP is NES Global Talent GP Limited which is controlled by AEA Management (Cayman) Limited.

The parent undertaking of the largest group in which these financial statements are consolidated is NES Global Talent Limited. The parent undertaking of the smallest group in which these financial statements are consolidated is NES Fircroft Limited. Copies of the financial statements of NES Global Talent Limited and NES Fircroft Limited are available from its registered office at Station House, Stamford New Road, Altrincham, Cheshire, WA14 1EP.