

Company number: 04118149

CDER Group Limited
ANNUAL REPORT AND CONSOLIDATED ACCOUNTS
Year ended 31 December 2022



CDER GROUP LIMITED

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YEAR ENDED 31 DECEMBER 2022

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CDER GROUP LIMITED

COMPANY INFORMATION

YEAR ENDED 31 DECEMBER 2022

DIRECTORS:

L A Brown
P A Caddy
A W Cummins
X Lu
Y Ono
J Sweet-Escott
N S Tubbs
C G Kenney

REGISTERED OFFICE:

Floor 9 Peninsular House
30-36 Monument Street
London
England
EC3R 8LJ

REGISTERED NUMBER:

04118149

AUDITOR:

CLA Evelyn Partners Limited
Statutory Auditor & Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

PRINCIPAL BANKERS:

National Westminster Bank plc
London
EC2M 4RB

SOLICITORS:

DAC Beachcroft LLP
One Minster Court
Mincing Lane
Billingsgate
London
EC3R 7AA

CDER GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

The Director's Report together with their Group Strategic Report and consolidated Financial Statements for CDER Group ('the Company') and its subsidiaries (together 'the Group').

Directors

The directors who served during the period were:

- LA Brown
- P A Caddy
- A W Cummins
- X Lu
- J Mason (resigned 31 May 2023)
- Y Ono
- K Suzuki (resigned 11 April 2022)
- J Sweet-Escott
- N S Tubbs
- C G Kenney (appointed 1 June 2023)

Activities

During the year, CDER Group Limited was the owner of Rundle & Co. Limited, PS&P Limited, Advantis Credit Limited and the majority shareholder of Court Enforcement Services Limited, providing across the Group the complete range of debt collection & enforcement, debt recovery and related services. CDER Group Limited is also the owner of Hito Limited, Collect Services Limited and Phoenix Commercial (Enforcement) Holdings Limited. These companies are dormant or non-trading.

On the 8 March 2023 as part of a group restructure, the company's ownership of its active subsidiaries, Rundle & Co. Limited, PS&P Limited, Advantis Credit Limited and Court Enforcement Services Limited was transferred to its immediate parent company, CDER Group International Limited (formerly J.B.W. Group Limited). In addition, the ownership of Major Collections Limited, a dormant company, was transferred from Phoenix Commercial (Enforcement) Holdings Limited to CDER Group Limited on the same date. Further details of these post balance sheet events are disclosed in Note 28 to these financial statements.

During the previous period the company changed its year end to 31 December to align with the wider group. The current period is the 12 months to 31 December 2022, whilst the comparative period is the 17 months to 31 December 2021.

Review of results and dividends

The Group is reporting gross profit of £40.4m for the year compared to £41.6m reported in the prior 17-month financial period. The gross margin increased to 56% when compared against 54% for the prior period (after adjusting for income from government grants).

Profit before tax for the 12 months ended 31 December 2022 was £17.2m (17 months to 31 December 2021: £9.5m) reflecting the business recovery from COVID-19. On a consolidated basis, revenue for the financial year was £71.6m compared to £77.8m reported in the prior 17-month financial period.

The net assets as at 31 December 2022 were £31.6m (31 December 2021: £18.7m), an increase of £12.9m on the prior period reflecting the retained profits for the year.

During the year, the directors paid a dividend of £1.2m (2021: £nil) to its immediate parent company, CDER Group International Limited). No final dividend is proposed.

CDER GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

Political donations

The Group did not make any political donations during the year (2021: £nil).

Greenhouse gas emissions, energy consumption and energy efficiency action

The table below includes the energy and carbon information for CDER Group Limited ('the Company'). The Company has opted to exclude energy and carbon information from the Group report which relates to its subsidiaries as it is not obliged to report under the requirements of Streamlined Energy and Carbon Reporting.

The Annual Greenhouse Gas Emissions (in tonnes CO₂E) has slightly decreased when comparing to the prior 17 month period ended 31 December 2021 when pro-rated.

Carbon Reporting

	Financial year ended 31 December 2022	17 months period ended 31 December 2021
Greenhouse Gas Emission Source	Annual Greenhouse Gas Emissions (in tonnes CO ₂ E)	
Scope 1: Gas Consumption (Note 1)	-	-
Scope 2: Purchased electricity (Location based) (Note 2)	28.8	50.8
Scope 3: Business travel in rental or employee-owned vehicles where company responsible for purchasing the fuel	238.17	339.5
Total emissions	266.97	390.3
Intensity Ratios (In tonnes CO ₂ E, per FTE)	1.181	1.682

Note 1: Gas consumption based on consumption of water in shared communal areas and recharged as part of costs for rent of the building is deemed insignificant.

Note 2: The data includes Energy Consumption for the offices located in London, Darlington and Bolton.

Methodology

Data has been collated as part of our certified accreditation standard of ISO14001:2015 Environmental Management. The relevant conversion factors have been used from the 2022 UK Government Conversion factors for greenhouse gas (GHG) reporting.

Intensity measurement

The Group's chosen intensity measurement ratio is of GHG emissions tonnes CO₂E per full time employee.

CDER GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

Energy efficiency action

CDER Group maintains multiple accreditations, including those of ISO9001 Quality Management and ISO14001 Environmental Management and as such in line with its policies and procedures seeks to continually minimise its impact on the environment. In September 2022 CDER implemented its Carbon Reduction Plan emphasising its commitment to reducing its impact on the environment.

The Group records energy consumption with appropriate measures which have been in place since August 2020, these form part of a continual review and contribute towards the businesses planned implementation of ISO50001 Energy Management Systems which will be triggered as the Group comes into scope of the Energy Savings Operator Scheme (ESOS).

Further introduction of hybrid vehicles to the fleet has been postponed as a result of the impact of COVID-19 on the supply chain. The plan is to review the introduction of hybrid vehicles again during the financial year-ending 31 December 2023 based on current vehicle markets and the time of vehicle contract renewal.

Post balance sheet events

Details of post balance sheet events are disclosed in Note 28 to these financial statements.

Disability policy

CDER Group Limited are an equal opportunities employer and an Investors in People Silver accredited company. We consider fairly, all applications for employment and do not discriminate against anyone with a protected characteristic. The Group actively supports employees who become disabled to continue their existing employment or offer suitable alternatives for redeployment where necessary.

It is the Group's policy to treat people with disabilities on an equal basis for employment, development, and promotion.

Employee consultation

The Group develops and encourages a participative and accountable style of leadership. We communicate regularly with our workforce on matters that affect them through a variety of methods, including a monthly newsletter circulated to all employees and have introduced a community focus group comprising elected representatives to facilitate greater staff engagement. We also encourage active participation in annual surveys and regular feedback sessions to understand better ways in which we can improve the working lives of our workforce enhancing our offering and becoming an employer of choice.

Our benefits package has been developed from feedback through annual surveys and feedback for the last 6 years implementing benefits and incentives that add real value to our workforce.

Matters covered in the Strategic Report

The Group has chosen in accordance with s.414C(all) Companies Act 2006 to set out in the Group Strategic Report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report. Future developments and the Group's financial risk management policies and objectives are set out in the Group Strategic Report.

CDER GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

Qualifying third party indemnity provisions

As defined by section 234 of the Companies Act 2006, the Company has entered into a qualifying third-party indemnity arrangement for the benefit of its directors. The arrangement was in force throughout the year and remains in force.

Disclosure of information to auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the Company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

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

CDER GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Consolidated Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare Accounts for each financial year. Under that law the directors have elected to prepare the Group and Parent Company Accounts in accordance with UK-adopted international accounting standards.

Under Company law the directors must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing these Accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

By order of the Board



N S Tubbs
Director

Date: 03 August 2023

CDER Group Limited
Registered in England and Wales
Company number 04118149

CDER GROUP LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

The directors present their report together with the Group Strategic Report and the consolidated financial statements for CDER Group Limited for the year ended 31 December 2022.

Review of the business

CDER Group Limited (formerly known as J.B.W. Group Limited) was incorporated on 1st December 2000. The Group's principal activities comprise of the full range of debt collection, enforcement and related services to local and central government and commercial clients. This includes i) debt collection services that are regulated by the Financial Conduct Authority, ii) debt collection utilising civil enforcement under the Taking Control of Goods Act, iii) collections and enforcement for His Majesty's Courts and Tribunal Services, iv) collections for commercial clients through the High Court Enforcement process. The business has a broad client base extending across Local Government, Government Companies, Central Government, Utilities Sector and private companies.

CDER Group has delivered significant organic and inorganic growth over the last 5 years. Management have made five acquisitions, two of which have now been consolidated into the CDER operating entity. Collect Services was acquired on 21 December 2017, Court Enforcement Services Limited on 31 August 2018, Phoenix Commercial (Enforcement) Holdings Limited on 7 September 2018, Rundle & Co. Limited on 1 May 2019 and Advantis Credit Limited on 13 January 2020.

On 1 August 2020, the Group undertook a restructure whereby the trade, assets and liabilities of Phoenix Commercial Collections Limited, Major Collections Limited, Phoenix Commercial (Enforcement) Holdings Limited were hived up into CDER Group Limited. These companies have not traded since this date.

On the 8 March 2023, as part of a further restructure, the company's ownership of Rundle & Co. Limited, PS&P Limited, Advantis Credit Limited and Court Enforcement Services Limited was transferred to its immediate parent company, CDER Group International Limited (formerly J.B.W. Group Limited). Further details of these post balance sheet events are disclosed in Note 28 of the financial statements.

Outsourcing UK Limited is the immediate parent holding company of CDER Group International Limited. CDER Group's financial results are also reported in Outsourcing UK Limited's Consolidated Financial Statements for the year-ended 31 December 2022.

Results and performance

The Group generated a profit before tax of £17.2m for the year compared to £9.5m for the 17-month period ended 31 December 2022. This increase in profit before tax reflects the business recovery from COVID-19 and the change in accounting year-end date.

The Group maintained a healthy net asset position of £31.6m, compared to £18.7m in the prior period with cash at bank and in hand of £39m at the end of the financial year. The financial position at the end of the financial year is presented in these Accounts.

Financial key performance indicators

The Board monitors the progress of the Company through the use of performance dashboards and KPIs. These evaluate the performance of the business on a macro level, provide information to enable tactical decision making and detailed information at individual batch and operative level to enable service quality and productivity improvements. The business holds regular weekly management meetings, reviews the information at a local tactical level and these reviews are then followed by monthly Board meetings.

CDER GROUP LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

At a macro level the Board reviews the cash collected on behalf of our clients, the number of new instructions (warrants, liability orders, writs and cases), received and collections rates. During the year ended 31 December 2022, the Group recovered Local and Central Government debts totalling £375m (17 months period to 31 December 2021: £350m). The number of new warrants, liability orders, writs received in our civil enforcement and High Court businesses and volume of debts placed in the year ended 31 December 2022 was 3,438k (17 months period to 31 December 2021: 3,048k).

Management

Directors	As at 31 December 2022	As at 31 December 2021
Appointed from:		
Outsourcing Inc.	1	1
CDER Group	7	7

Corporate reporting

All companies within the Group produce monthly financial and non-financial reports. These are used to track risks, performance and position in order to manage the Group effectively in line with corporate objectives and bank covenants.

Future developments

The Group's performance for the FY23 will continue to be informed by how the economy, Local Authorities, prosecuting authorities, the Courts and businesses continue their recovery from COVID-19 and the effect on the wider geo-political environment of the war in Ukraine. These factors impact on inflation, fuel and food poverty affecting the most vulnerable in society, which in turn influences Local Authorities' debt collection strategies.

Inflation has had a material impact on the Group's indirect and direct cost base. Management is aware that broadly 85% of the Group Revenues are subject to the Taking Control of Goods (Fees) Regulations 2014 and that these have not been reviewed since coming into force. The Ministry of Justice (MOJ) has initiated a review and has indicated that they will come to a recommendation during H1 2023, CDER Group has participated in the call for evidence and provided ongoing support to the Civil Enforcement Association during their dialogue with MOJ.

CDER has continued to support the establishment of the Enforcement Conduct Board (ECB) and was pleased to note the announcement of Chris Nichols' appointment as CEO of the ECB. CDER Board members have met with both the non-executive board members as has Sir Martin Narey, the Chairman of CDER's Independent Advisory Group (IAG), as part of this engagement process offering on-going support as required and appropriate. Court Enforcement Services was the first High Court business to voluntarily contribute towards the ECB levy and take up membership.

CDER's IAG continues to give highly valuable insights and observations assisting the Group in developing its customer centric fairness and vulnerability strategies. The IAG is now providing regular reviews for CDER Group and Rundle & Co. Limited and will be starting regular reviews of Court Enforcement Services Limited in H2 2023. The unbridled access to daily field and office-based operations provides management with an objective calibration of how well operational plans and strategies are being implemented and followed through to ensure that all customers are being treated with dignity and respect.

CDER GROUP LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

The FCA is enacting its new Consumer Duty regulation in July 2023. The new regulation puts greater emphasis on a firm's communications, with a particular focus on providing the right information at the right time, presented in a format consumers can understand. Advantis Credit Limited is well prepared, having created new training around customer vulnerability, utilising where appropriate the Group's Fairness in Operations strategy as a base. It has also successfully gained the new ISO 22458 Consumer vulnerability accreditation, the first DCA to do so, to underpin management's commitment to treating all customers fairly.

Principal Risk and Uncertainties

Group's risk management process

The Board is responsible for the Group's system of internal control and for regularly reviewing its effectiveness. The procedures and controls are designed to safeguard the Group's assets, maintain proper accounting records and ensure the reliability of financial information used within the business. The controls also align the approach of each of the underlying brands to ensure a consistent policy and adherence to authority levels.

This system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. We recognise that creating value is the reward for taking and accepting risk.

The Board has overall responsibility for the Group's approach to assessing risk. Executive management implements the Board's policies on risk and control and is responsible for identifying, evaluating and managing the key risks faced by the Group, primarily via our monthly reporting process.

The Group has standard monthly reporting against detailed financial plans prepared at the individual business unit level. Financial reporting is an integral element of these reviews, and performance is tracked against plan and a rolling forecast, which is reviewed weekly and refreshed monthly. The prime objective is to assist in early identification of areas of risk or opportunity, allowing the business and the Board to make decisions on an informed and anticipatory basis.

Capital expenditure is tightly controlled and subject to Board-level sign off on a business-case basis. Procedures are in place to identify, prioritise and mitigate significant business risks that could impact performance. While not exhaustive, the list below highlights critical risks that the Company tracks and manages that could adversely impact results.

Key risks to the Group

The management of the business and the execution of the Group's business strategy are subject to a number of key risks that are outlined below.

Economic risk

The current economic circumstances continue to provide both risks and opportunities for the Company. The business has been well managed through the recent challenges created by the political turbulence in Ukraine, inflation and the tight labour market challenges post Brexit and the pandemic. The Group continues to make clear progress which gives the directors confidence that it continues to be well placed in the medium and long term to support the ongoing recovery of the UK economy. The flexible cost base (low fixed costs), strong cash reserves and market access continues to allow the directors to be nimble in their response to market pressures. Our fairness and vulnerability strategies ensure that we are able provide support to our clients to recover necessary funds whilst dealing fairly with our customers, many of whom have been adversely impacted.

CDER GROUP LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

Debt collection is a service that is required by the public and private sector in both positive and negative economic cycles. During the recent launch of the Enforcement Conduct Board at the Houses of Parliament Government was clear that enforcement and debt collection or the collection of fines from those that can pay is an important part of on-going government strategy.

Operational risk

The principal risks from our debt collection business arise from loss of contracts or reputational damage to our clients or the business through poor collection strategies or through data breaches. Management are actively managing these risks through: i) being subject matter experts on the law and regulations governing the industry, ii) embedding detailed process and standard practices in the central operating system, iii) actively managing staff engagement with our customers in the office and in the field (where we use body worn video), iv) auditing customer engagements to ensure best practice is maintained and developed, and v) a proactive data security strategy. In addition, our IAG regularly scrutinises and reports on the service quality and delivery against our Fairness Strategy.

Liquidity risk

The Group ensures that it has sufficient cash resources to fund the ongoing operations of its subsidiaries. Borrowing facilities have been provided through an intercompany loan from Outsourcing Inc.

Liquidity is managed by a regular and robust financial reporting process. The Group's financial and liquidity performance including anticipated facility headroom is monitored monthly on a rolling basis. Working capital is actively managed and reviewed by the management team on a weekly basis. Operating and capital expenditure are under tight scrutiny and control. The business is highly cash generative with a very flexible direct and indirect cost base which provides the Board with confidence about the financial stability of the Group.

Credit risk

The Group's maximum exposure to credit risk will be represented by the carrying value of its trade and other receivable balances. The majority of the Group's trade debtors and other receivable balances relates to amounts owed by local or central government. As a consequence, the Board is satisfied that any exposure to credit risk is non-material.

Business continuity

In response to the threat that an unforeseen event would seriously disrupt customer services, the Group has a business continuity team to ensure weaknesses are identified and managed. The Group has a full disaster recovery programme.

Section 172 (1) Statement

In fulfilling their duties to promote the success of the Company, the directors must have regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The following forms the directors' statement required under section 414CZA of the Companies Act 2006.

a) Regard to the likely consequences of any decision in the long term

All companies within the Group are required to submit 3 and 5 year business plans including an Income Statement, Balance Sheet plan, Cash flow plan, 3 year headcount plan and a 3 year plan for capital expenditure. The 3 year Income Statement includes allowances approved by Outsourcing Inc. for investment in technology, infrastructure, leadership, sales and marketing roles and activities that will improve the benefits to clients, suppliers and shareholders. Once approved, Group companies provide progress reports and reforecasts to Outsourcing Inc. to have accountability and allow oversight of plan implementation.

CDER GROUP LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

In developing these plans, directors formally have to balance the use of maintenance and long-term investment, with regard to the short, medium and long-term (2, 3 and 5 year) impact of decisions. On a contract, service and business unit level, the directors have to devise transformational and development programmes covering these periods in order to meet and exceed key stakeholder expectations.

Maintaining the right balance during our on-going investment for all key stakeholders is a key focus for directors.

b) Regard to the interests of the Group's employees and enforcement agents

The Group's employees and enforcement agents are central to the quality of the service delivered to our clients and customers. The directors are charged with ensuring that their staff and subcontractors are compliant, knowledgeable, professional, diligent, and well trained. CDER believes that everyone has the right to be treated with respect, a principle that sits at the heart of our Fairness in Operations strategy. This approach is implemented across the full geographical coverage of our offices in London, North East, North West, Midlands, Essex and across our national field force.

CDER is an equal opportunities employer encouraging applicants from all ethnicities and backgrounds, appreciating the enhanced performance of a multi diverse workforce. Our current BAME (Black and Minority Ethnic) representation is consistently above the national average.

As an Investors in People Silver accredited company, we engage with our workforce through a number of methods; annual appraisals, regular 121's, annual surveys, monthly newsletters as well as a robust suite of policies, readily available on our intranet, to ensure transparency. Our workforce all have a clear, comprehensive, job description to enable achievement and overachievement of set objectives.

The Group believe in developing our existing workforce to fulfil our succession plans, offering management upskilling both from our dedicated internal training team and external providers. We also invest in an apprenticeship programme and field trainee programme to help elevate unemployment in our local communities.

CDER has effective controls in place to manage time and attendance, so all staff are paid correctly and on time. We ensure employees work under safe conditions, are equipped to fulfil their duties and are effectively motivated.

To support effective channels of communications throughout the Group, senior management communicate important goals, results, policies and processes. We maintain employee engagement through various means, including employee forums and consultation with unions as appropriate.

c) The need to foster the Company's business relationships with suppliers, customers and others

CDER Group's key business relationships are with its clients, owners and suppliers. The directors pay close attention to how clients are feeling about our services through formal Board Reporting mechanisms and check that clients are receiving what they require from each company and more. The directors are also able to have senior level relationships with a large number of clients due to the size of the trading businesses, which provides another layer of engagement and feedback.

CDER Group is ultimately owned by OUTSOURCING Inc (OSI), Japan who have invested over £240m in the UK since 2015 in JBW Group, Liberata, Allen Lane and other UK companies. CDER Group's board of directors includes an OSI representative, to monitor the interests of the owners.

CDER GROUP LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

The approach taken by the ultimate Parent Company, OSI, is to look to the *medium term and long term*, setting 3 and 5 year goals whilst also setting performance targets for the immediate financial year. For 2023 these goals were agreed with of each company contributing towards a profit target for the year, growth in the future, against the need for investment.

d) Regard to the impact of the Group's operations on the community and the environment

The Group provides debt collection services on behalf of local and central government, utilities and private companies, a material element of which is collecting unpaid statutory taxes on behalf of local authorities and fines imposed by the Magistrates and Crown courts. The effective provision of these services assists in delivering justice and reducing the tax burden on local residents, both of these being fundamental to fair and balanced communities.

CDER provides local employment opportunities and has a well-developed apprentice and trainee programme thereby contributing to the community stock of knowledge, skills, experience, health, and wellbeing. The business relationships between clients, the owners, suppliers, employees and unions creates social capital since some of these relationships will continue after employees move on, suppliers change or after contracts with clients end.

The Group is committed to supporting 5 key strategic development goals to provide an ongoing contribution to *improving the quality of the wider working environment, while making our economy and environment more sustainable.*

Strategic Development Goals

1. Providing employment opportunities:
we are committing to having 10% of our employed workforce as having joined us as apprentices or trainees.
2. Providing high quality education:
CDER commits to providing training material and a training platform to enhance the service quality and knowledge of the debt collection and enforcement sector when appropriate.
3. Respecting diversity:
CDER commits to having 30% female representation on our senior management team by 2030 and to maintaining BAME representation of + 10% higher than the national average.
4. Carbon free:
CDER commits to having 70% of our leased or owned vehicles to be next-generation by 2030.
5. Raising productivity of all industries:
we will target a 10% improvement in productivity of the debt collection business by 2030.

e) The desirability of the Company maintaining a reputation for high standards of business conduct

We only undertake and compete in service sectors we really understand and where we can deliver market leading outcomes for our clients and sustainable resolutions for our customers. A high proportion of our new name business is generated by referrals from our existing clients (or those that have worked for our clients and taken the relationship to their new companies), so reputation and dependability is key. Our fairness and vulnerability strategies are a central plank of our operating approach, the delivery of which is overseen by our Independent Advisory Group, which is made up of 5 very experienced Public Sector professionals who have relevant expertise to scrutinise and verify that the plans we have put in place are being properly implemented and followed through.

Finally, at Board level we positively review and affirm our commitment and compliance with legislation such as the Bribery Act every month to ensure we visibly hold all our directors to a high standard.

CDER GROUP LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

f) The need to act fairly as between members of the Company

Where two or more shareholders have an interest in a company within the Group, share purchase agreements, shareholder agreements and the articles of association provide a terms of reference for acting fairly between members of the Company or resolving any disputes.

The Group Strategic Report, incorporating the Section 172 statement was approved by the board on 20 June 2023 and signed on its behalf.



N S Tubbs, Director

CDER GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDER GROUP LIMITED

YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of CDER Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at year ended 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Annual Report and Consolidated Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the Annual Report and Consolidated Accounts. 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.

CDER GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDER GROUP LIMITED

YEAR ENDED 31 DECEMBER 2022

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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

CDER GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDER GROUP LIMITED

YEAR ENDED 31 DECEMBER 2022

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.

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 obtained a general understanding of the Group's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We also drew on our existing understanding of the Group's industry and regulation.

We understand that the Group complies with requirements of the framework through:

- outsourcing tax compliance to external experts;
- subscribing to relevant updates from external experts to ensure internal procedures and controls are up to date and making changes as necessary; and
- the directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct its business and/or where there is a risk that failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Group:

- the Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- review of the procedures management has implemented to ensure financial statements comply with the requirements of the Companies Act 2006 and IFRS

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- manipulation of the financial statements through the use of manual journal entries; and
- key areas of judgement and estimation required in relation to the revenue recognition, recovery of accrued income, level of accruals for long-term incentive plans and the key assumptions for impairment reviews.

CDER GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CDER GROUP LIMITED

YEAR ENDED 31 DECEMBER 2022

The procedures we carried out to gain evidence in the above areas included:

- testing a sample of journal entries, selected through applying specific risk assessments based on the processes and controls surrounding journal entries;
- testing a sample of revenue transactions to underlying documentation;
- reviewing the reasonableness of the provision made for the non-collection of accrued income;
- reviewing the basis adopted for accruing amounts due under long-term incentive plans; and
- challenging management regarding the assumptions used in the estimates identified above, with consultation with internal specialists, as appropriate.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

CLA Evelyn Partners Limited

Nigel Hardy (Senior Statutory Auditor)

for and on behalf of CLA Evelyn Partners Limited

Statutory Auditor

Chartered Accountants

Portwall Place

Portwall Lane

Bristol

BS1 6NA

Date: 03 August 2023

CDER GROUP LIMITED**CONSOLIDATED INCOME STATEMENT**

	Note	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
REVENUE	2	71,562	77,752
Cost of sales		(31,161)	(36,117)
GROSS PROFIT		40,401	41,635
Other operating expenses		(23,097)	(32,529)
Other operating income	3	-	1,984
OPERATING PROFIT	3	17,304	11,090
Net finance costs	5	(89)	(1,610)
PROFIT BEFORE TAXATION		17,215	9,480
Tax on profit	8	(3,105)	(2,895)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,110	6,585
<i>Amount attributable to Parent Company</i>		13,920	6,448
<i>Amount attributable to non-controlling interest</i>		190	137

There are no other items in Other Comprehensive Income other than the profit for the year (2021: None)

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

		31 Dec 2022		31 Dec 2021	
	Note	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Goodwill	9		30,870		30,870
Other intangible assets	9		22,871		25,229
Property, plant and equipment	10		820		1,201
Right of use assets	10		3,376		4,453
			<u>57,937</u>		<u>61,753</u>
CURRENT ASSETS					
Trade and other receivables	12	15,872		13,248	
Cash at bank and in hand	13	39,003		28,220	
Current income tax asset	16	-		534	
Deferred tax asset	19	-		511	
		<u>54,875</u>		<u>42,513</u>	
CURRENT LIABILITIES					
Trade and other payables	14	(17,109)		(19,073)	
Lease liabilities	18	(1,059)		(1,033)	
Put option financial liability	21	(2,707)		(1,434)	
Current income tax liabilities	16	(152)		-	
		<u>(21,027)</u>		<u>(21,540)</u>	
NET CURRENT ASSETS BEFORE SHAREHOLDER LOANS			33,848		20,973
Shareholder loans	17		(38,255)		(39,928)
TOTAL ASSETS LESS CURRENT LIABILITIES			53,530		42,798
NON-CURRENT LIABILITIES					
Shareholder loans	17	(13,656)		(11,983)	
Lease liabilities	18	(2,393)		(3,484)	
Put option financial liability	21	-		(2,273)	
Provisions	15	(340)		(329)	
Deferred income tax liabilities	19	(5,519)		(5,984)	
			<u>(21,908)</u>		<u>(24,053)</u>
NET ASSETS			<u>31,622</u>		<u>18,745</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

EQUITY

Share capital	23	1	1
Share premium	24	46	46
Put option reserve	25	(4,968)	(5,090)
Non-controlling interest		1,509	1,427
Retained earnings	26	35,034	22,361
TOTAL EQUITY		<u>31,622</u>	<u>18,745</u>

Approved by the Board of Directors, and authorised for issue on
its behalf by

20 June 2023

and signed on



N S Tubbs, Director

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Share capital £'000	Share premium £'000	Put option reserve £'000	Retained earnings £'000	Non- controlling interest £'000	Total £'000
AT 31 JULY 2020	<u>1</u>	<u>46</u>	<u>(7,778)</u>	<u>15,913</u>	<u>3,978</u>	<u>12,160</u>
Profit for the period	-	-	-	6,448	137	6,585
Total comprehensive income for the period	-	-	-	6,448	137	6,585
Purchase of minority shares	<u>-</u>	<u>-</u>	<u>2,688</u>	<u>-</u>	<u>(2,688)</u>	<u>-</u>
AT 31 DECEMBER 2021	<u>1</u>	<u>46</u>	<u>(5,090)</u>	<u>22,361</u>	<u>1,427</u>	<u>18,745</u>
Profit for the year	-	-	-	13,920	190	14,110
Total comprehensive income for the year	-	-	-	13,920	190	14,110
Equity dividends paid	-	-	-	(1,247)	-	(1,247)
Purchase of minority shares	-	-	150	-	(150)	-
Adjustment to non-controlling interest	-	-	(28)	-	42	14
AT 31 DECEMBER 2022	<u>1</u>	<u>46</u>	<u>(4,968)</u>	<u>35,034</u>	<u>1,509</u>	<u>31,622</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

		31 Dec 2022		31 Dec 2021	
	Note	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Goodwill	9		7,137		7,137
Other intangible assets	9		5,850		6,671
Property, plant and equipment	10		575		856
Right of use assets	10		2,293		3,020
Investments	11		56,344		56,194
			<u>72,199</u>		<u>73,878</u>
CURRENT ASSETS					
Trade and other receivables	12	7,107		5,981	
Cash and cash equivalents	13	20,998		15,064	
Current income tax asset	16	609		182	
Deferred tax asset	19	-		509	
		<u>28,714</u>		<u>21,736</u>	
CURRENT LIABILITIES					
Trade and other payables	14	(6,024)		(8,717)	
Lease liabilities	18	(760)		(732)	
Current income tax liabilities	16	-		-	
		<u>(6,784)</u>		<u>(9,449)</u>	
NET CURRENT ASSETS BEFORE SHAREHOLDER LOANS					
			21,930		12,287
Shareholder loans	17		(38,255)		(39,928)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			55,874		46,237
NON-CURRENT LIABILITIES					
Shareholder loans	17	(13,656)		(11,983)	
Lease liabilities	18	(1,593)		(2,338)	
Provisions	15	(340)		(329)	
Deferred income tax liabilities	19	(925)		(1,062)	
			<u>(16,514)</u>		<u>(15,712)</u>
NET ASSETS					
			<u>39,360</u>		<u>30,525</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

EQUITY

Share capital	23	1	1
Share premium	24	46	46
Retained earnings	26	39,313	30,478
TOTAL EQUITY		<u>39,360</u>	<u>30,525</u>

During the year ended 31 December 2022, the Company generated a profit after tax of £10,082k (2021: £8,805k).

Approved by the Board of Directors, and authorised for issue on 20 June 2023 and signed on its behalf by



N S Tubbs, Director

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY****AS AT 31 DECEMBER 2022**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 31 July 2020	<u>1</u>	<u>46</u>	<u>21,673</u>	<u>21,720</u>
Profit for the period	-	-	8,805	8,805
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-	-
AT 31 December 2021	<u>1</u>	<u>46</u>	<u>30,478</u>	<u>30,525</u>
Profit for the year	-	-	10,082	10,082
Dividends paid	-	-	(1,247)	(1,247)
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-	-
AT 31 December 2022	<u>1</u>	<u>46</u>	<u>39,313</u>	<u>39,360</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS****YEAR ENDED 31 DECEMBER 2022**

		12 months to		17 months to	
		31 Dec 2022		31 Dec 2021	
	Note	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	27	17,759		21,645	
Interest paid on group borrowings	5	(785)		(1,160)	
Interest paid on right of use asset leases	5	(154)		(243)	
Interest received	5	11		10	
Income tax receipts		-		518	
Income taxes paid		(2,307)		(5,708)	
NET CASH GENERATED FROM OPERATING ACTIVITIES		14,524		15,062	
CASH FLOWS FROM INVESTING ACTIVITIES					
Amounts paid for purchase of minority shareholdings		(150)		(5,386)	
Purchase of intangible assets	9	(1,153)		(1,603)	
Purchase of property, plant and equipment	10	(154)		(785)	
NET CASH USED IN INVESTING ACTIVITIES		(1,457)		(7,774)	
CASH FLOWS FROM FINANCING ACTIVITIES					
New amounts borrowed from Group undertaking		-		1,638	
Repayment of amounts borrowed		-		(2,328)	
Repayment of lease liabilities		(1,037)		(1,522)	
Dividends paid		(1,247)		-	
NET CASH USED IN INVESTING ACTIVITIES		(2,284)		(2,212)	
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,783		5,076	
Cash and cash equivalents at beginning of the year/period	13	28,220		23,144	
Cash and cash equivalents at the end of the year/period		39,003		28,220	
CASH AND CASH EQUIVALENTS CONSISTS OF:					
Cash in hand, at bank and short-term deposits	13	39,003		28,220	

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES

Basis of preparation

CDER Group Limited is a private limited company incorporated in the United Kingdom and limited by shares. The address of its registered office is Floor 9 Peninsular House, 30-36 Monument Street, London, EC3R 8LJ.

The Accounts have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Accounts have been prepared on a historical cost basis and are presented in Sterling, with all amounts rounded to the nearest thousand pounds (£'000), unless otherwise stated.

During the prior period, CDER Group Limited changed its year end to 31 December to align with the wider group. The current period is the 12 months to 31 December 2022, whilst the comparative period is the 17 months to 31 December 2021.

Going concern

The Group has reported a profit before tax for the period of £17.2m but had net current liabilities of £4.4m, primarily because balances being due to the ultimate Parent Company of £38.3m are classified as short term. There was £39m of cash on the Statement of Financial Position at 31 December 2022. Forecasts have been prepared for the period to 31 May 2024 which indicate a strong expectation of future profitable trading and cash generation. The Company has also received written confirmation from the ultimate Parent Company that repayment of the intra group debt will not be required until the Company has the financial ability to make repayments.

Therefore, the directors are satisfied that there are appropriate grounds to continue to adopt the going concern basis when preparing the financial statements of the Company and the Group.

Changes in accounting policies and disclosures

a) New and amended Standards and Interpretations adopted by the Group and Company

There are no new or amended Standards or Interpretations adopted by the Group or Company that have had a material impact in the year.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*****YEAR ENDED 31 DECEMBER 2022****1 ACCOUNTING POLICIES *(continued)*****Changes in accounting policies and disclosures *(continued)***

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2022

Standard/amendment	IASB endorsement date	UK effective date
Amendments to IFRS 17 Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023	1 January 2023
IAS 8 – Addition of a definition of Accounting Estimates	1 January 2023	1 January 2023
IAS 1 and Practice Statement 2 – Disclosure of accounting policies	1 January 2023	1 January 2023
Amendments to IAS 12 -Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023	1 January 2023
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed
Amendments to IAS 1 – Classification of liabilities as Current or Non-current	1 January 2024	Not yet endorsed
Amendments to IAS 1 – Non-current liabilities with covenants	1 January 2024	Not yet endorsed

The directors do not consider that the adoption of the standards listed above will have a material impact on the financial statements of the Company or Group in future periods.

Financial reporting standard 101 - reduced disclosure exemptions

In its own financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1 ACCOUNTING POLICIES *(continued)*

Financial reporting standard 101 - reduced disclosure exemptions *(continued)*

- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Consolidation

The Consolidated Accounts incorporate the Accounts of the Company and all of its subsidiary undertakings for the year ended 31 December 2022 using the acquisition method and exclude all intra-group transactions. Assets, liabilities and contingent liabilities of acquired companies are measured at fair value at the date of acquisition.

Any excess or deficiency between the cost of acquisition and fair value is treated as positive goodwill as described below. Where subsidiary undertakings are acquired or disposed of during the year, the results and turnover are included in the Consolidated Income Statement from, or up to, the date control passes.

The Company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 from presenting its own Income Statement. The profit generated by the Company is disclosed under the Company Statement of Financial Position.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the non-controlling equity interests in the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (*continued*)

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (*continued*)

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired, and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Revenue recognition

a) Revenue from debt enforcement

The Group acts for various government bodies and commercial organisations to enforce warrants or writs issued in favour of their clients in order to recover debts. Each warrant or writ is considered to represent a single performance obligation to take appropriate action to collect debt on behalf of the client. This performance obligation is considered to be satisfied over time, with customers simultaneously receiving and consuming the benefit of the enforcement process.

Revenue is recognised on a case by case basis dependent on the level of enforcement activity completed at any given point in time. In accordance with the Taking Control of Goods Regulations 2014, a separate fee is applied to each stage of the enforcement process. This revenue is considered to be variable (based on the requirement to consider ability and intention to pay) and the fee is therefore adjusted for management's estimate of cases that will subsequently be aborted based on historic activity. In accordance with IFRS 15.4, historic collection rates across contracts with similar characteristics (determined on the basis of type of debt) have been considered in determining the appropriate adjustment. Assumptions surrounding revenue recognition are reassessed periodically throughout the year and at each balance sheet date.

Further detail is provided in note 2.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES *(continued)*

b) *Revenue from debt collection activities*

Certain Group companies earn revenues solely from debt collection activities.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Government grants

Amounts receivable under the Government's Coronavirus Job Retention Scheme are accounted for on a receivable basis and disclosed within Other Operating Income.

Dividend income

Dividend income from subsidiaries is recognised following director approval.

Costs incurred to obtain or fulfil a contract

Costs incurred to obtain or fulfil a contract which do not qualify for recognition as other types of assets are recognised separately and amortised over the expected term of the related contract. Where the expected term is one year or less then costs incurred to obtain a contract are written off as incurred.

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. Where consideration is received in advance of revenue being recognised the date of the transaction reflects the date the consideration is received.

At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions are taken to operating profit.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES *(continued)*

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

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.

Interest on right of use asset leases is calculated and charged on the lease liability, based on the interest rate implicit in the underlying leases if that rate is readily available or the Group's incremental borrowing rate.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES *(continued)*

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.

Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of the combination.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 'Business combinations', goodwill is not amortised. Consequently, the Group does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Group is therefore invoking a 'true and fair override' to overcome the prohibition of the non-amortisation of goodwill in the Companies Act.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Contract costs	3 - 5 years
Software	3 - 10 years

Intangible assets which arise on the acquisition of subsidiary companies represent customer related assets and brands. These assets are recognised at their fair value on acquisition and then amortised over their estimated useful economic lives, which are generally linked to the expected attrition rate of the customer related assets acquired and the expected life of the brands.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*****YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES *(continued)*

The principal useful lives adopted are as follows:

Customer relationship assets	5 - 15 years
Brands	15 years

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.

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:

Fixtures and fittings	- 20 - 50% straight line
Vehicles	- 25% straight line
Right of use land and buildings	- 10 - 33% straight line over the lease term
Right of use plant and machinery	- 20 - 50% straight line over the lease term
Right of use vehicles	- 25 - 33% straight line over the lease term

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

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Any contingent consideration on the purchase of subsidiaries is measured at fair value at the acquisition date.

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.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES *(continued)*

Cash balances are held by the Company on behalf of clients. In such instances, a creditor is reflected to depict the related liability to clients.

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 Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged to the provision carried in the Balance Sheet.

Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Impairment of financial assets

Investments other than investments in subsidiaries are classified as either held-for-trading or not at initial recognition. At the year-end date all investments are classified as not held for trading.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15 Revenue from Contracts with Customers, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECLs) for trade receivables and amounts due on contracts with customers. The ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial Liabilities

At amortised cost

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

Written put options

a) Consolidated accounts

For written put options over non-controlling interests that can be physically settled, irrespective of whether the put option is a fixed or variable price, a gross liability must be recognised at an amount equal to the present value of the amount that could be required to be paid to the counterparties, in accordance with IAS 32 Financial Instruments: Presentation.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES *(continued)*

b) Company accounts

For the Parent Company's own accounts, written put options over the shares of the subsidiary are *derivatives measured at fair value through profit and loss*. The directors have concluded that the terms of these options mean the derivatives do not have a material fair value at either year end.

Leases

A right of use asset and a lease liability has been recognised for all leases except leases of low value assets, which are considered to be those with a duration of 12 months or less. The right of use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group will depreciate the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the year.

The key areas of judgement and estimation uncertainty in these financial statements are highlighted on the next page:

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (*continued*)

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (*continued*)

Revenue recognition, including related accrued income and cost provisions

Given the nature of the Group's operations, there is an inherent exposure to collection risk in the enforcement businesses. This occurs where a case is aborted due primarily to a debtor being considered vulnerable or otherwise having insufficient funds or goods to enable reasonable recovery of monies owed. Management performs regular reviews of historic collection rates and adjust revenue recognised accordingly. Enforcement agents are paid a proportionate fee based on cash collections. As such, a cost accrual is recorded to cover the time lag between a performance obligation being satisfied and cash being received. In line with the related revenue, this accrual is adjusted for collection risk.

Management estimates the recovery of accrued income of circa 87.9% (2021: 86.8%) for the Group and 82.8% (2021: 82.8%) for the Company. Gross enforcement fees applied to open contracts at 31 December 2022 have therefore been reduced by £1.2m for the Group and £716k for the Company to appropriately reflect the probability of success on open cases such that a significant reversal of revenue is not expected to occur in future periods. The directors consider that the level of provision properly reflects their best estimate of future collection rates.

Impairment of goodwill, other intangible assets and investments in subsidiaries

The directors are required to review the carrying value of goodwill, other intangible assets and investments in subsidiaries each year for impairment. This is considered primarily through projections of future performance and discounted cash flow modelling. Based on their assessment, the directors do not consider any provision for impairment to be required as at 31 December 2022.

In the consolidated statement of financial position, there is goodwill of £30.9m (2021: £30.9m) and other intangible assets of £22.9m (2021: £25.2m). In the Parent Company statement of financial position, there are investments in subsidiaries of £56.3m (2021: £56.2m). The assessment as to whether these balances are impaired requires an estimation of the value in use of the cash generating units (CGUs) to which these balances have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and apply a suitable discount rate in order to calculate the present value. The directors considered that a post tax discount rate of 9.4% was applicable in all these assessments.

The Group has considered the possible impact of reduced future recoveries on the assumptions used and has conducted sensitivity analysis on the impairment test of the CGU's carrying value. This has not resulted in any impairment of the carrying value at 31 December 2022 as the CGU's recoverable amounts exceed their carrying value. Further disclosure is provided in note 9.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES *(continued)*

Amortisation of intangible assets

The directors are required to consider what is the most appropriate period over which to amortise intangible assets (excluding goodwill) held in the Company and Group, with a total carrying value of £22.9m (2021: £25.2m). For customer related assets which arise on acquisition of subsidiary companies, the useful life adopted is generally determined by the attrition rate applied to the customer base acquired. Other intangible assets are amortised over a variety of periods, based on the directors' best assessment of their useful lives.

Further detail on the rates applied are given on pages 32 and 33.

Minority written put options

In the consolidated accounts, the Group is reporting a liability of £2.7m (2021: £3.7m) in relation to the estimated amount which may become payable in relation to the purchase of the shares held by the minority shareholders of Court Enforcement Services Limited ('CES'). The calculation of this liability involves an estimate of the future EBITDA level of CES and the application of an appropriate discount rate. The level of EBITDA in the measurement period maybe materially different than the amount used in the calculation of the liability at the year end, and hence the future liability, may be materially different than the amount provided at 31 December 2022.

Amounts accrued under long-term incentive plans

The Company is reporting no liability (2021: £4.0m) in respect of its estimate of accrued sums which will be payable to certain directors under long-term incentive plans. As the final amounts which were payable were based on the EBITDA of the Group in future years, there was a degree of estimation uncertainty required in determining the year-end accrual at 31 December 2021.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*****YEAR ENDED 31 DECEMBER 2022**

2 TURNOVER

All turnover for the year arose in the United Kingdom, and is derived from the Group's principal activity, that of debt collection and enforcement.

The Group derives its revenues from contracts with clients for the transfer of goods or services over time and at a point in time. An analysis of revenues by the timing of transfer of services is given below:

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Recognised at a point in time	10,457	11,893
Recognised over time	61,105	65,859
	<u>71,562</u>	<u>77,752</u>

3 OPERATING PROFIT

The operating profit is stated after charging:

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Depreciation of tangible fixed assets (note 10)	1,584	2,396
Amortisation of intangible assets (note 9)	3,511	4,533
Operating lease rentals	106	122
Staff costs (note 7)	18,560	26,938

Other operating income reported in the prior period represented £1,265k in respect of the derecognition of deferred consideration that will no longer become payable and £719k in respect of amounts recovered under the Government's Coronavirus Job Retention scheme. No other operating income is reported in the current year.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

4 AUDITOR'S REMUNERATION

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Fees payable to the Company's auditor for the audit of the Parent Company and Group financial statements	116,150	79,750
Fees payable to the Company's auditor and its associates for other services provided to the Group		
Audit of the financial statements of subsidiary companies	30,000	29,525
Audit related assurance services	41,700	47,000
Tax compliance services	37,630	31,300
Tax advisory services	6,000	4,680
Other non-audit services	33,925	43,800

Fees payable to the Company's auditor for non-audit services to the Company itself are not disclosed in this note as disclosure of such fees is only required on a consolidated basis in these financial statements.

5 NET FINANCE COSTS

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Bank and other interest receivable	11	10
Gains on fair value of put option financial liability (note 21)	917	-
Total finance income and fair value gains	928	10
Interest payable on group balances	(785)	(1,160)
Interest on right of use asset leases	(154)	(243)
Other interest payable	(11)	(17)
Losses on fair value of put option financial liability (note 21)	-	(31)
Unwinding of discount on put option financial liability (note 21)	(67)	(169)
Total finance cost and fair value losses	(1,017)	(1,620)
Net finance cost	(89)	(1,610)

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*****YEAR ENDED 31 DECEMBER 2022****6 DIRECTORS EMOLUMENTS AND KEY MANAGEMENT PERSONNEL COMPENSATION****Key management personnel compensation**

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Salaries and short-term employee benefits	1,807	4,502
Pension contributions	87	140
Social security costs	267	594
	<u>2,161</u>	<u>5,236</u>

All of the above key management personnel compensation relates to directors.

Directors' emoluments

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Aggregate emoluments as directors of the Company	5,382	1,987
Value of Group pension contributions to money purchase schemes	87	140
	<u>5,469</u>	<u>2,127</u>
Emoluments of the highest paid director	<u>2,370</u>	<u>507</u>
Pension contributions in respect of highest paid director	<u>11</u>	<u>15</u>
	No.	No.
Number of directors who are accruing benefits under money purchase pension schemes	<u>6</u>	<u>6</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*****YEAR ENDED 31 DECEMBER 2022**

7 EMPLOYEE NUMBERS AND COSTS

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

	12 months to 31 Dec 2022 No	17 months to 31 Dec 2021 No
Directors	11	15
Operations	177	185
Administration	338	337
	<u>526</u>	<u>537</u>

The aggregate payroll costs of these persons were as follows:

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Wages and salaries	16,383	24,199
Social security costs	1,625	1,910
Other pension costs	470	721
Other staff related costs	82	108
	<u>18,560</u>	<u>26,938</u>

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

	12 months 2022 No	17 months 2021 No
Directors	7	7
Operations and administration	219	223
	<u>226</u>	<u>230</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*****YEAR ENDED 31 DECEMBER 2022****7 EMPLOYEE NUMBERS AND COSTS *(continued)***

The aggregate payroll costs of these persons were as follows:

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Wages and salaries	9,045	14,780
Social security costs	929	1,103
Other pension costs	333	533
Other staff related costs	49	41
	<u>10,356</u>	<u>16,457</u>

8 INCOME TAX EXPENSE**(a) Charge for the year (period)**

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Current income tax:		
UK corporation tax at 19% (2021 – 19%)	2,590	2,129
Adjustments in respect of prior periods	469	(41)
Total current taxation	<u>3,059</u>	<u>2,088</u>
Deferred income tax:		
Origination and reversal of timing differences	587	(306)
Adjustments in respect of prior periods	(562)	(83)
Effect of tax rate change on opening balances	21	1,196
Total deferred taxation	<u>46</u>	<u>807</u>
Income tax expense	<u>3,105</u>	<u>2,895</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

8 INCOME TAX EXPENSE *(continued)*

(b) Factors affecting tax expense

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Profit before taxation	17,215	9,480
Profit before taxation multiplied by the standard rate of tax of 19% (2021 – 19 %)	3,271	1,801
Expenses not deductible for tax purposes	72	226
Income not taxable	(161)	(240)
Fixed asset differences	55	68
Other adjustments	(5)	(32)
Adjustment in respect of previous periods – current tax	469	(41)
Adjustments in respect of previous periods – deferred tax	(562)	(83)
Remeasurement of deferred tax due to change in tax rates	(34)	1,196
Tax expense	3,105	2,895

(c) Impact of future tax rate changes

The Finance Bill 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. Whilst this changed was substantively enacted in the Finance Bill 2021 by the year end, Corporation Tax continues to be provided at 19%. However, deferred tax is provided at 25%.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

9 INTANGIBLE ASSETS

GROUP

	Goodwill	Customer relationship assets	Software	Contract costs	Brands	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2022	30,924	29,628	2,119	1,675	622	64,968
Adjustment	-	(1,668)	-	-	-	(1,668)
Additions	-	-	1,153	-	-	1,153
Disposal	-	-	(157)	(287)	-	(444)
At 31 December 2022	30,924	27,960	3,115	1,388	622	64,009
Amortisation						
At 1 January 2022	54	7,151	893	633	138	8,869
Adjustment	-	(1,668)	-	-	-	(1,668)
Amortisation charge for the year	-	2,468	717	284	42	3,511
Disposal	-	-	(157)	(287)	-	(444)
At 31 December 2022	54	7,951	1,453	630	180	10,268
Net book values						
At 31 December 2022	30,870	20,009	1,662	758	442	53,741
At 31 December 2021	30,870	22,477	1,226	1,042	484	56,099
Cost						
At 1 August 2020	30,924	29,628	1,932	1,046	622	64,152
Additions	-	-	974	629	-	1,603
Adjustment	-	-	(787)	-	-	(787)
At 31 December 2021	30,924	29,628	2,119	1,675	622	64,968
Amortisation						
At 1 August 2020	54	3,654	1,073	217	79	5,077
Amortisation charge for the year	-	3,497	561	416	59	4,533
Adjustment	-	-	(787)	-	-	(787)
Reclassification	-	-	46	-	-	46
At 31 December 2021	54	7,151	893	633	138	8,869
Net book values						
At 31 December 2021	30,870	22,477	1,226	1,042	484	56,099
At 31 July 2020	30,870	25,974	859	829	543	59,075

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

9 INTANGIBLE ASSETS *(continued)*

COMPANY

	Goodwill	Software	Contract costs	Customer relationships assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2022	7,191	4,114	1,675	4,085	17,065
Additions	-	1,091	-	-	1,091
Disposal	-	(157)	(287)	-	(444)
At 31 December 2022	7,191	5,048	1,388	4,085	17,712
Amortisation					
At 1 January 2022	54	1,534	633	1,036	3,257
Amortisation charge for the year	-	896	284	732	1,912
Disposal	-	(157)	(287)	-	(444)
At 31 December 2022	54	2,273	630	1,768	4,725
Net book values					
At 31 December 2022	7,137	2,775	758	2,317	12,987
At 31 December 2021	7,137	2,580	1,042	3,049	13,808
Cost					
At 1 August 2020	135	3,153	1,046	-	4,334
Additions	-	882	629	-	1,511
Reclassification	-	79	-	-	79
Recognised on hive up	7,056	-	-	4,085	11,141
At 31 December 2021	7,191	4,114	1,675	4,085	17,065
Amortisation					
At 1 August 2020	54	635	217	-	906
Amortisation charge for the period	-	826	416	1,036	2,278
Reclassification	-	73	-	-	73
At 31 December 2021	54	1,534	633	1,036	3,257
Net book values					
At 31 December 2021	7,137	2,580	1,042	3,049	13,808
At 31 July 2020	81	2,518	829	-	3,428

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

9 INTANGIBLE ASSETS *(continued)*

The goodwill acquired through business combinations related to the companies below which have been assessed for impairment testing:-

	Collect Services Limited	Court Enforcement Services Limited	Phoenix Group	Rundle & Co Limited	Advantis Credit Limited	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2022	167	6,278	6,889	10,229	7,226	30,789
Additions	-	-	-	-	-	-
At 31 December 2022	<u>167</u>	<u>6,278</u>	<u>6,889</u>	<u>10,229</u>	<u>7,226</u>	<u>30,789</u>
Impairment						
At 1 January 2022	-	-	-	-	-	-
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount						
At 31 December 2022	<u>167</u>	<u>6,278</u>	<u>6,889</u>	<u>10,229</u>	<u>7,226</u>	<u>30,789</u>
At 31 December 2021	<u>167</u>	<u>6,278</u>	<u>6,889</u>	<u>10,229</u>	<u>7,226</u>	<u>30,789</u>
Cost						
At 1 August 2020	167	6,278	6,889	10,229	7,226	30,789
Additions	-	-	-	-	-	-
At 31 December 2021	<u>167</u>	<u>6,278</u>	<u>6,889</u>	<u>10,229</u>	<u>7,226</u>	<u>30,789</u>
Impairment						
At 1 August 2020	-	-	-	-	-	-
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount						
At 31 December 2021	<u>167</u>	<u>6,278</u>	<u>6,889</u>	<u>10,229</u>	<u>7,226</u>	<u>30,789</u>
At 31 July 2020	<u>167</u>	<u>6,278</u>	<u>6,889</u>	<u>10,229</u>	<u>7,226</u>	<u>30,789</u>

In addition to the above goodwill balances, there is an amount of £81k (2021: £81k) which was not acquired through a business combination.

The Group performed its impairment tests on the above CGUs at 31 December 2022. The recoverable amounts were calculated using the higher of value-in-use and the fair value less costs of disposal.

For each of the CGUs with an amount of goodwill, the key assumptions used were as detailed on the next page. These reviews did not result in any impairment loss being reported for the year.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

9 INTANGIBLE ASSETS *(continued)*

**Court Enforcement Services Limited, Phoenix Group, Rundle & Co Limited and
Advantis Credit Limited CGUs**

The recoverable amount of the above CGUs has been determined to be:-

	£m
Court Enforcement Services Limited	35.1
Phoenix Group	21.9
Rundle & Co Limited	40.3
Advantis Credit Limited	66.3

The above recoverable amounts are based on VIU calculations for each CGU, using cash flow projections approved by senior management covering a five-year period, and then applying a terminal growth rate of 3.5%. The post-tax discount rate applied to the cash flows is 9.4%.

The carrying value of the goodwill held in Collect Services Limited is not material and reflects trade now undertaken in CDER Group Limited.

i) Key assumptions used in recoverable amount calculations

The VIU calculations referred to above are most sensitive to the following assumptions:

- Revenue growth rates
- EBITDA forecasts
- Discount rates

Revenue growth rates

The level of revenue growth is based on contracted and non-contracted revenue growth expectations within the different subsidiary companies. They have been forecast by management and approved by the wider group.

If the above companies only achieved 90% of forecasts revenues, and costs remained unchanged, the recoverable amount of the above CGUs would be as below, and no impairment would arise:

	£m
Court Enforcement Services Limited	16.3
Phoenix Group	12.6
Rundle & Co Limited	27.3
Advantis Credit Limited	45.6

EBITDA forecast

The level of EBITDA forecast to be achieved for each CGU requires an estimate of the costs to be incurred to achieve the above revenue forecasts. The cost base has been forecast by management and approved by the wider group.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

9 INTANGIBLE ASSETS *(continued)*

Sensitivities have been modelled below which reflect the impact on the recoverable value if the above companies only achieved 80% or 60% of their forecast EBITDA levels. The recoverable amount of the above CGUs would be as below, and no impairment would arise in either scenario:

	80%	60%
	£'000	£'000
Court Enforcement Services Limited	27.8	20.4
Phoenix Group	17.5	13.1
Rundle & Co Limited	32.3	24.4
Advantis Credit Limited	54.7	43.0

Discount rates

The discount rate adopted is based on the weighted average cost of capital ('WACC') of CDER Group Limited, using a cost of equity of 11.1% and a cost of debt of 5.6%.

If a post-tax discount rate of 15% had been adopted in the VIU calculations, the recoverable amount of the above CGUs would be as below, and no impairment would arise:

	£'000
Court Enforcement Services Limited	18.3
Phoenix Group	11.5
Rundle & Co Limited	20.7
Advantis Credit Limited	35.7

Based on the above analysis, the directors are satisfied that there has been no impairment in the goodwill, or other intangible asset balances.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

10 PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Plant and machinery	Fixtures and fittings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2022	5,915	116	4,157	838	11,026
Additions	3	-	151	-	154
Disposals	(101)	(33)	(918)	(43)	(1,095)
Right of use asset additions	-	19	-	55	74
At 31 December 2022	<u>5,817</u>	<u>102</u>	<u>3,390</u>	<u>850</u>	<u>10,159</u>
Depreciation					
At 1 January 2022	1,714	44	3,245	369	5,372
Charge for the year - owned assets	51	-	484	-	535
Charge for the year - right of use assets	794	21	-	234	1,049
Disposals	(7)	(28)	(919)	(39)	(993)
At 31 December 2022	<u>2,552</u>	<u>37</u>	<u>2,810</u>	<u>564</u>	<u>5,963</u>
Net book amount					
At 31 December 2022	<u>3,265</u>	<u>65</u>	<u>580</u>	<u>286</u>	<u>4,196</u>
At 31 December 2021	<u>4,201</u>	<u>72</u>	<u>912</u>	<u>469</u>	<u>5,654</u>
Cost					
At 1 August 2020	4,573	42	3,510	172	8,297
Additions	13	-	772	-	785
Disposals	(369)	(43)	(96)	(49)	(557)
Right of use asset additions	1,698	88	-	715	2,501
Reclassification	-	29	(29)	-	-
At 31 December 2021	<u>5,915</u>	<u>116</u>	<u>4,157</u>	<u>838</u>	<u>11,026</u>
Depreciation					
At 1 August 2020	807	12	2,606	68	3,493
Charge for the period - owned assets	86	-	792	-	878
Charge for the period - right of use assets	1,149	34	-	335	1,518
Disposals	(328)	(17)	(92)	(34)	(471)
Reclassification	-	15	(61)	-	(46)
At 31 December 2021	<u>1,714</u>	<u>44</u>	<u>3,245</u>	<u>369</u>	<u>5,372</u>
Net book amount					
At 31 December 2021	<u>4,201</u>	<u>72</u>	<u>912</u>	<u>469</u>	<u>5,654</u>
At 31 July 2020	<u>3,766</u>	<u>30</u>	<u>904</u>	<u>104</u>	<u>4,804</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

COMPANY	Land and buildings	Plant and machinery	Fixtures and fittings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2022	4,292	39	2,143	658	7,132
Additions	-	19	89	-	108
Disposals	(6)	(26)	(920)	(9)	(961)
At 31 December 2022	<u>4,286</u>	<u>32</u>	<u>1,312</u>	<u>649</u>	<u>6,279</u>
Depreciation					
At 1 January 2022	1,409	35	1,564	248	3,256
Charge for the year- owned assets	47	-	321	-	368
Charge for the year- right of use assets	552	7	-	187	746
Disposals	(4)	(25)	(920)	(10)	(959)
At 31 December 2022	<u>2,004</u>	<u>17</u>	<u>965</u>	<u>425</u>	<u>3,411</u>
Net book amount					
At 31 December 2022	<u>2,282</u>	<u>15</u>	<u>347</u>	<u>224</u>	<u>2,868</u>
At 31 December 2021	<u>2,883</u>	<u>4</u>	<u>579</u>	<u>410</u>	<u>3,876</u>
Cost					
At 1 August 2020	3,810	10	1,091	-	4,911
Additions	-	-	527	-	527
Right of use asset additions	154	-	-	648	802
Hive up assets	328	29	604	10	971
Reclassification	-	-	(79)	-	(79)
At 31 December 2021	<u>4,292</u>	<u>39</u>	<u>2,143</u>	<u>658</u>	<u>7,132</u>
Depreciation					
At 1 August 2020	454	4	622	-	1,080
Charge for the year- owned assets	68	-	578	-	646
Charge for the year- right of use assets	810	17	-	244	1,071
Hive up assets	77	14	437	4	532
Reclassification	-	-	(73)	-	(73)
At 31 December 2021	<u>1,409</u>	<u>35</u>	<u>1,564</u>	<u>248</u>	<u>3,256</u>
Net book amount					
At 31 December 2021	<u>2,883</u>	<u>4</u>	<u>579</u>	<u>410</u>	<u>3,876</u>
At 31 July 2020	<u>3,356</u>	<u>6</u>	<u>469</u>	<u>-</u>	<u>3,831</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)****YEAR ENDED 31 DECEMBER 2022****10 PROPERTY, PLANT AND EQUIPMENT (continued)**

Included in property, plant and equipment above are right of use assets with a net book value as detailed below:-

Group

	31 December 2022 £'000	31 December 2021 £'000
Land and buildings	3,025	3,912
Plant and machinery	65	72
Fixtures and fittings	-	-
Motor vehicles	286	469
Total	3,376	4,453

Company

	31 December 2022 £'000	31 December 2021 £'000
Land and buildings	2,054	2,606
Plant and machinery	15	4
Motor vehicles	224	410
Total	2,293	3,020

11 NON-CURRENT INVESTMENTS

	Company Shares in Group undertakings £'000
COST	
At 1 January 2022	56,194
Additions	150
At 31 December 2022	56,344
IMPAIRMENT	
At 1 January 2022 and 31 December 2022	-
Carrying amount	
At 31 December 2022	56,344
At 31 December 2021	56,194

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)****YEAR ENDED 31 DECEMBER 2022****11 NON-CURRENT INVESTMENTS (continued)**

	Company Shares in Group undertakings £'000
COST	
At 1 August 2020	64,972
Disposals	(8,778)
At 31 December 2021	<u>56,194</u>
IMPAIRMENT	
At 1 August 2020 and 31 December 2021	<u>-</u>
Carrying amount	
At 31 December 2021	<u>56,194</u>
At 31 July 2020	<u>64,972</u>

A list of wholly owned unlisted subsidiary companies at 31 December 2022 is provided below.
The registered office of all subsidiaries is the same as that of CDER Group Limited.

Company	Country of Registration	Share- holding	Principal Activity
Directly held			
Court Enforcement Services Limited	UK	85.37%	Debt enforcement
Hito Limited	UK	100%	Non-trading
Phoenix Commercial (Enforcement) Holdings Limited	UK	100%	Dormant
Rundle & Co Limited	UK	100%	Debt enforcement
Advantis Credit Limited	UK	100%	Debt collection
Collect Services Limited	UK	100%	Dormant
PS&P Limited	UK	100%	Debt collection
Indirectly held			
ElliottDavies (Sherriff's) Limited	UK	85.37%	Dormant
J.B.W. Group Limited (formerly Major Collections Limited)	UK	100%	Dormant
Phoenix Commercial Collections Limited	UK	100%	Dormant
Phoenix HCE Limited	UK	100%	Dormant

The following subsidiaries have taken exemption from audit under s479a of Companies Act 2006:

Rundles & Co Limited
Advantis Credit Limited
PS&P Limited
Hito Limited

Details of the post balance sheet change in ownership of certain subsidiaries is disclosed in Note 28.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

YEAR ENDED 31 DECEMBER 2022

12 CURRENT TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade receivables	4,435	4,105	2,087	1,854
Amounts owed by Group undertakings	101	36	282	351
Other receivables	56	74	17	15
Prepayments and accrued income	11,280	9,033	4,721	3,761
	<u>15,872</u>	<u>13,248</u>	<u>7,107</u>	<u>5,981</u>

Trade receivables and amounts due by Group undertakings are the only assets held at amortised cost. They generally have a 30 – 90 day contractual term and their carrying value is a reasonable approximation of their fair value. Details of the ageing of the Group's trade receivables is given below:-

	Current	Number of days overdue				Total
		30	60	90	over 90	
	£000	£000	£000	£000	£000	£000
At 31 December 2022	1,760	667	451	112	1,483	4,473
Provision						(38)
Net trade receivables						<u>4,435</u>

	Current	Number of days overdue				Total
		30	60	90	over 90	
	£000	£000	£000	£000	£000	£000
At 31 December 2021	1,823	659	259	124	1,309	4,174
Provision						(69)
Net trade receivables						<u>4,105</u>

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	£'000	£'000	£'000	£'000
Cash in hand, at bank and short-term deposits	<u>39,003</u>	<u>28,220</u>	<u>20,998</u>	<u>15,064</u>

14 CURRENT TRADE AND OTHER PAYABLES

	Group		Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	£'000	£'000	£'000	£'000
Trade payables	900	1,000	502	325
Other payables	9,840	8,265	2,213	1,644
Other taxes and social security	1,913	1,871	1,068	919
Accruals and deferred income	4,387	7,909	2,099	5,697
Amounts owed to Group undertakings	69	28	142	132
	<u>17,109</u>	<u>19,073</u>	<u>6,024</u>	<u>8,717</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)****YEAR ENDED 31 DECEMBER 2022****14 CURRENT TRADE AND OTHER PAYABLES (continued)**

Trade and other payables, accruals and deferred income and amounts due to Group undertakings are financial liabilities measured at amortised cost. No interest is charged on these outstanding balances, and they are all considered due within three months. The directors are satisfied that the carrying value of trade and other payables is a reasonable approximation of their fair value.

15 PROVISIONS

COMPANY AND GROUP	Dilapidation Provision £'000	Total £'000
Balance at 1 January 2022	329	329
Unwinding of discount	11	11
Balance at 31 December 2022	<u>340</u>	<u>340</u>
Non-current	<u>340</u>	<u>340</u>

The provision is based on the estimated cost that will be incurred to return leased property to the condition required in the lease agreement.

16 CURRENT INCOME TAX ASSET AND LIABILITIES

	Group		Company	
	31 Dec 2022 £'000	31 Dec 2021 £'000	31 Dec 2022 £'000	31 Dec 2021 £'000
Income tax asset	-	534	609	182
Income tax liabilities	<u>(152)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income tax asset/(liabilities)	<u>(152)</u>	<u>534</u>	<u>609</u>	<u>182</u>

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)****YEAR ENDED 31 DECEMBER 2022****17 SHAREHOLDER LOANS**

Amounts fall due for payment on these loans as follows:-

	Group and Company	
	31 Dec 2022	31 Dec 2021
	£'000	£'000
Amounts repayable:		
Within one year	38,255	39,928
Within two to five years	13,656	11,983
	<u>51,911</u>	<u>51,911</u>

The shareholders loans represent three loans from the ultimate Parent Company, Outsourcing Inc. Repayments of £7.7m have been made to date in respect of these loans. The amounts due after one year are repayable in 6-monthly instalments of £0.5m which began in June 2023, £13.4m in June 2024, with a final instalment of £3.4m due in December 2025. The Company has received written confirmation from the ultimate Parent Company that repayment of the intra-Group debt will not be required until the Company has the financial ability to make repayments. Interest is payable on all loans at a fixed rate agreed on the date that the loan was borrowed.

18 LEASES

Lease liabilities in relation to right of use assets fall due as follows:

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Due within 1 year	1,059	1,033	760	732
Due within 2-5 years	1,851	2,744	1,291	1,914
Due after more than 5 years	542	740	302	424
	<u>3,452</u>	<u>4,517</u>	<u>2,353</u>	<u>3,070</u>

The Group has a variety of lease arrangements in place, both for its properties and a variety of other assets used within the Group companies. The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position at the date of initial application was 4%.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)****YEAR ENDED 31 DECEMBER 2022****19 DEFERRED INCOME TAX**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Group		Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	£'000	£'000	£'000	£'000
Deferred tax assets	-	(511)	-	(509)
Deferred tax liabilities	5,519	5,984	925	1,062
	<u>5,519</u>	<u>5,473</u>	<u>925</u>	<u>553</u>

The net movement on the deferred income tax account is as follows:

	Group		Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	£'000	£'000	£'000	£'000
At 1 January/ 1 August	5,473	4,666	553	(269)
Arising on acquisitions	-	-	-	869
Charged/(credited) to income tax expense (note 8)	46	807	372	(47)
At 31 December	<u>5,519</u>	<u>5,473</u>	<u>925</u>	<u>553</u>

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

19 DEFERRED INCOME TAX *(continued)*

GROUP

The movement in net deferred tax assets and liabilities during the period is as follows:

	Fixed asset timing differences	Tax losses	Other short term temporary differences	Arising on business combinations	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	1,139	(140)	(371)	4,845	5,473
Charge/(credit) to income statement (note 8)	(702)	140	371	237	46
At 31 December 2022	437	-	-	5,082	5,519
Gross assets	-	-	-	-	-
Gross liabilities	437	-	-	5,082	5,519
At 1 August 2020	180	(107)	(424)	5,017	4,666
Charge/(credit) to income statement (note 8)	959	(33)	53	(172)	807
At 31 December 2021	1,139	(140)	(371)	4,845	5,473
Gross assets	-	(140)	(371)	-	(511)
Gross liabilities	1,139	-	-	4,845	5,984

COMPANY

	Fixed asset timing differences	Tax losses	Other short term temporary differences	Total
	£'000	£'000	£'000	£'000
At 1 January 2022	1,062	(140)	(369)	553
Charge/(credit) to income statement	(137)	140	369	372
At 31 December 2022	925	-	-	925
Gross assets	-	-	-	-
Gross liabilities	925	-	-	925
At 1 August 2020	113	(107)	(275)	(269)
Charge/(credit) to income statement	80	(33)	(94)	(47)
Transfers in	869	-	-	869
At 31 December 2021	1,062	(140)	(369)	553
Gross assets	-	(140)	(369)	(509)
Gross liabilities	1,062	-	-	1,062

There are no amounts of unprovided deferred tax (2021: £nil).

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*****YEAR ENDED 31 DECEMBER 2022**

20 FINANCIAL INSTRUMENTS

The Group and Parent Company's principal financial instruments that arise directly from their operations are detailed below:

	Group		Company	
	31 Dec 2022 £'000	31 Dec 2021 £'000	31 Dec 2022 £'000	31 Dec 2021 £'000
Financial assets measured at amortised cost	<u>15,034</u>	<u>12,271</u>	<u>6,573</u>	<u>5,335</u>
Financial assets measured at fair value	<u>39,003</u>	<u>28,220</u>	<u>20,998</u>	<u>15,064</u>
Financial liabilities measured at amortised cost	<u>70,556</u>	<u>73,631</u>	<u>59,223</u>	<u>62,779</u>
Financial liabilities measured at fair value	<u>2,707</u>	<u>3,707</u>	<u>-</u>	<u>-</u>

The main purpose of these financial instruments is to fund the operations of the Group and the Parent Company, as well as to manage their working capital, liquidity and surplus funds.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk.

Financial risk

The Group's debt is represented by shareholder loans, on which the interest rate is fixed.

The directors are satisfied that any reasonably possible change in interest rates would not have any material impact on the Group's reported profit before tax.

Credit risk

The Group's maximum exposure to credit risk will be represented by the carrying value of its trade, other receivable and accrued income balances. The Group trades only with recognised, creditworthy third parties, many of which are Governmental bodies. The credit risk associated with the recovery of trade receivables is reduced by the fact that the majority of trade receivables represent VAT from customers, which if not paid is liable to reclaim from HMRC. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is insignificant.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

20 FINANCIAL INSTRUMENTS *(continued)*

The Group is reporting accrued income of £10.4m (2021 £8.1m) which is held after a provision for potential non-recovery of £1.2m (2021 £1.1m). The Group is exposed to credit risk in relation to its accrued income, which will primarily be recovered when amounts are collected under payment arrangements. The exact timing of these recoveries is uncertain and can be expected to take place over more than one year. The directors consider that appropriate loss allowance has been recognised to reflect the identified risks and there has been no change in estimation techniques used from that applied in the prior period.

With respect to credit risk arising from the other financial assets of the Group, comprising of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

The amount that best represents the Group's maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements is expected to be the total value of trade receivables and accrued income balances.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's money on deposit. Cash balances as at year end total £39.0m (2021 – £28.2m) and interest earned on cash balances averaged 0% (2021 - 0%) during the year.

Liquidity risk

The Group receives funding from its ultimate Parent company, which provides sufficient liquidity to allow it to adequately manage its working capital requirements and to provide funding for ad hoc acquisitions. Given the level of cash reserves held in the Group, the directors consider that it is adequately mitigated against liquidity risk. Details of the repayment terms of Trade and Other Payables, Shareholder's Loans and Leases are disclosed in Note 14, 17 and 18.

Capital risk management

The Group defines capital as being share capital plus reserves and manages capital to ensure adequate resources are retained for continued growth of the Group. Access to capital includes the retention of cash on deposit and availability of funding through agreed capital facilities. Long term deposits are used to obtain more favourable rates of return only when adequate cash resources are maintained on shorter term deposit for the Group's working capital requirements.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

21 FAIR VALUE MEASUREMENTS

As at 31 December 2022 there were no significant differences between book values and fair values of financial assets and liabilities.

Written put options

On the acquisition of Court Enforcement Services Limited in the year ended 31 July 2019, the Company entered into a minority call and put option arrangement with shareholders holding non-controlling interests. The fair value of the options at the acquisition date was zero due to the exercise price being the same as the fair value at the expiry date. Subsequently, options are measured at fair value through profit or loss and are valued using discounted cash flows using level 3 fair value measurement.

The Group classifies the gross value of the financial liability at expiry within equity, based on the present value of the future cash flows. Subsequent measurements are at fair value with gains or losses in value recognised through profit or loss.

Details of movements in the reported liability are as detailed below:

	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Opening put option financial liability	3,707	8,893
Payment made in the period	(150)	(5,386)
Finance costs	67	169
(Gains)/losses through income statement	(917)	31
Closing put option financial liability	<u>2,707</u>	<u>3,707</u>

The key inputs into the determination of the above fair value were the EBITDA of Court Enforcement Services Limited and the rate at which the future liability is discounted to derive its fair value. EBITDA levels of £2,062k were used in the calculation (2021: £1,718k and £5,471k) and £2,552k on the acquisition date. Discount rates of 8.1% have been used and considered most applicable to apply to this type of liability.

22 RELATED PARTY TRANSACTIONS

The Company has made use of the exemption from the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Transactions between subsidiaries have been eliminated on consolidation and are disclosed in the individual Company accounts, where applicable.

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

23 SHARE CAPITAL

	2022	2021
	£'000	£'000
Authorised, allotted, issued and fully paid:		
106,008 ordinary shares of £0.01 each	1	1

24 SHARE PREMIUM

The share premium account represents the excess of amounts paid for share capital over their nominal value.

25 PUT OPTION RESERVE

This reserve reflects the fair value of the put option liability which arose on the acquisition of Court Enforcement Services Limited in the year ended 31 July 2019 (see note 21).

26 RETAINED EARNINGS

This represents the retained profits of the Group, less any dividends paid to shareholders.

27 CASH GENERATED FROM OPERATIONS

GROUP	12 months to 31 Dec 2022 £'000	17 months to 31 Dec 2021 £'000
Profit before taxation	17,215	9,480
Depreciation of property, plant and equipment	1,584	2,396
Amortisation of intangible assets	3,511	4,533
Reversal of deferred consideration	-	(1,262)
Net finance expense	89	1,610
Increase in trade and other receivables	(2,624)	(1,713)
(Decrease)/increase in trade and other payables	(2,027)	6,448
Increase in provisions	11	153
Cash generated from operations	17,759	21,645

28 POST BALANCE SHEET EVENTS

On the 8 March 2023, CDER Group Limited made a dividend to CDER Group International Limited of £4.4m. On the same day as part of a group restructure, the company's ownership of its trading subsidiaries, Rundle & Co. Limited, PS&P Limited, Advantis Credit Limited and Court Enforcement Services Limited was transferred to its immediate parent company, CDER Group International Limited (formerly J.B.W. Group Limited), with a total carrying value of £56.3m. Inter-company debt of £51.9m was transferred from the company to CDER Group International Limited and the residual inter-company balance was cleared.

In addition, the ownership of Major Collections Limited was transferred from Phoenix Commercial (Enforcement) Holdings Limited to CDER Group Limited. Major Collections Limited was renamed J.B.W. Group Limited.

The notes on pages 26 to 63 form part of these Accounts

CDER GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 31 DECEMBER 2022

29 PARENT COMPANY AND CONTROLLING PARTY

Outsourcing Inc., a company registered in Japan, is the ultimate Parent Company, of which there is no ultimate controlling party. CDER Group International Limited (formerly J.B.W. Group Limited) is the immediate Parent Company.

Consolidated financial statements are prepared by Outsourcing Inc. in accordance with International Financial Reporting Standards (IFRS). Copies of these financial statements (translated into English) are available from the registered office address of Outsourcing Inc. (1-8-3 Marunouchi, Chiyoda-ku, Tokyo).