
SAFEGUARD WORLD INTERNATIONAL LIMITED

Registered number: 06439329

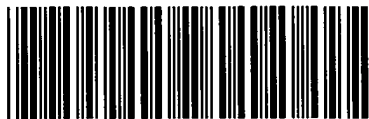
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28 DEC 2022
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SAFEGUARD WORLD INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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SAFEGUARD WORLD INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	Mr B Reynolds Mr B Thew Mr P Goepel
Company Secretary	Mr B Reynolds
Registered number	06439329
Registered office	Ground floor, Building 2, Campion Park Holmes Chapel Crewe Cheshire CW4 8AX
Independent auditor	Ernst & Young Chartered Accountants & Statutory Auditor G1 Building, 5 George Square, G2 1DY Glasgow United Kingdom
Bankers	HSBC Bank Plc 8 Canada Square London E14 5HQ JPMorgan Chase Bank – London Branch 25 Bank Street London E14 5JP
Solicitors	Streathers Solicitors LLP 44 Baker Street London W1U 7AL

SAFEGUARD WORLD INTERNATIONAL LIMITED

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SAFEGUARD WORLD INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The principal activity of the Company continues to be the provision of international payroll and employment outsourcing services.

Business review

The gross profit in fiscal year 2021 increased 27.5% to £20.6m as compared to £16.1m in fiscal year 2020.

2021 adjusted EBITDA was £10.1m against £9.0m in 2020, and this was in line with expectations, following an increase in investment in new staff and operating infrastructure. After charges for depreciation and amortisation of £0.9m (2020: £0.1m) and £0.4m (2020: £0.2m) in foreign exchange differences, an operating income of £8.8m was generated, compared to £8.7m in fiscal year 2020.

Profit before tax in 2021 has decreased 11.0% to £7.5m as compared to £8.4m in 2020. Administrative expenses increased 59.4% to £11.5m (2020: £7.2m).

The directors consider the results to be satisfactory and in line with expectations.

Principal risks and uncertainties

The Company is subject to a number of risks and uncertainties. The principal risks it faces are described below.

Information technology risk

The Company's systems and networks store and transmit our customers propriety information. As a result unauthorised access or security breaches could result in the loss of information, litigation, other liabilities and have an adverse impact on our reputation. We have a number of security measures in place to protect customer information and prevent data loss. We are continually reviewing and updating these measures to ensure they are adequate.

In addition, we rely on data centres operated by third parties and any disruption to these centres could impact our business. We have strong controls over the use of third party data centres to reduce the risk of possible disruption.

Markets

The markets for Business Process Outsourcing "BPO" and global employment outsourcing are highly competitive. We expect that the introduction of new technology and new entrants to the market to lead to competition persisting and potentially intensifying in the future. Therefore, there will continue to be pressure on margins within the sector.

International risk

A key element of the Company's growth strategy is to expand operations and customer base internationally. This leads to a number of risks:

- different regulations relating to data security and access to information;
- differing labour regulations and a lack of a skilled labour pool;
- foreign exchange rate fluctuations;
- inherent difficulties in managing a workforce across diverse geographical locations;
- different laws and business practices; and
- changing laws and regulations, international hostilities or changes in political conditions.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

Financial risk

The Company needs to continue to expand its sales, marketing and administrative functions to grow its customer base and meet its sales targets. In order to do this the Company needs to ensure that it has adequate financial resources to meet its day to day working capital needs.

Credit Risk

The Group monitors exposure to credit risk by keeping a diverse list of clients and monitoring the activity of all material debtors on a weekly basis. At any time that collectability of a receivable is determined to be potentially at risk an allowance is recorded

Interest Risk

The risk on interest rate changes is monitored by our internal treasury department in review of our bank agreements and loan interest. Any material fluctuations are reviewed with our senior leadership. The Group does not anticipate a material risk related to interest rates.

Future prospects

The Company is operating in the highly expanding but highly competitive BPO and global employment outsourcing market. The directors consider the current future growth prospects of these markets to be in line with expectations. In order to take advantage of these global market opportunities the Company will continue to expand its sales, marketing and administrative support functions.

Economic disruption caused by Covid and other geo-political events

The global Covid-19 pandemic continued during the year ending 31 December 2021. The Company was not significantly affected by the pandemic but nonetheless enacted several initiatives in response, which included staff working from home where possible and making use of government furlough scheme for staff unable to work from home. In addition, in the UK and globally, The Company continues to review its property base with respect to the future of work and reduction in its office space footprint and continues to apply its travel policy of reducing travel to business critical only.

Our new financial year has begun positively but like many businesses we are seeing challenges of labour shortages impacting the timetable for projects and price inflation. We continue to work closely with our customers to navigate and mitigate the risks arising from global economic uncertainties.

The potential impact of the sanctions and other measures being imposed in response to the Russia-Ukraine conflict are not expected to have a material impact on our consolidated results and supply chain.

Going concern

The following financial statements have been prepared on a going concern basis given the company has support from its parent Safeguard World International Holdings Limited to meet its funding needs.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Review Report as part of the statutory financials as at December 31, 2021.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

Going concern (continued)

The consolidated turnover in fiscal year 2021 increased 21.8% to £69.6m as compared to £57.2m in fiscal year 2020. 2021 adjusted EBITDA was £6.8m against £4.8 in 2020, which was in line with our 2021 budget expectation, following an increase in investment in new staff, operating infrastructure and the growth in the Global Employment Outsourcing ("GEO") business line. After charges for depreciation and amortisation of £1.3m (2020: £0.8m), a charge of £0.1m (2020: charge of £0.6m) in relation to the foreign exchange gain on the revaluation of loan and other foreign asset and liabilities expensed to the profit and loss account; an operating profit of £2.9m was generated, compared to an operating profit of £3.6m in fiscal year 2020.

The directors consider the results to be satisfactory and in line with expectations.

The financial statements have been prepared on a going concern basis for the following reasons:

The Group has made an operating profit of £2.9m and generated adjusted operating profit before exceptional items, depreciation, and amortisation of intangibles of £6.7m. One off exceptional cost includes costs related to additional growth investment in the Group. The Directors are in the process of approving a forecast through to end of year 2023, which indicate the Group will be able to operate within its current banking facility.

A primary view of the business and its ability to continue as a going concern is through the budget and forecast process of the Group. A review of the profit and loss as well as the cash forecast of the Group is also being prepared and reviewed with management.

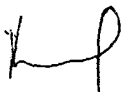
Additionally, the Group applies sensitivity considerations based on plausible downside scenarios to the forecasts. The two main scenarios applied are removing any revenue growth assumptions and then further reducing the anticipated revenue by applying different levels of loss in customer base. In the case of both scenarios the Group takes a detailed approach to reviewing the offsetting expenses and available controllable mitigations. In each case, with the reduced expense measures, there was no significant risk to cash that would result in not being able to meet covenants or provide for the operating expenses of the business during the time reviewed.

At the end of the year 2021 the Group was in a net liability position due to our leveraged model including our JP Morgan term loan and our preference share liability. This net liability position is due to non-current obligations which is not uncommon for a high growth private company like Safeguard. The Group can comfortably meet short term liability obligations from current assets. The Group is generating healthy cash flows as evidenced by increasing working capital noted above that will be sufficient for meeting debt service obligations and is building towards a strong anticipated acquisition pipeline to continue to move towards the anticipated budgeted growth.

As detailed in Post balance sheet events note, as part of the funding for the Global Upside acquisition, the Group amended its 2021 debt facility with JPMorgan Chase Bank on 25 January 2022. This amendment increased the total term debt to approximately £63m and added a line of credit of approximately £7.5m. Subordinated debt agreements were entered into and raised approximately £8.9M which was used to fund the acquisition. In addition, seller notes of approximately £14.8M were entered into as part of the acquisition.

The Directors have an expectation that the Group has adequate resources to continue as going concern through to the going concern period and support the Company to 31st December 2023. Therefore, these accounts have been prepared on a going concern basis.

This report was approved by the board in December 2022 and signed on its behalf.



Mr B Reynolds
Director

Date: 21/12/2022

SAFEGUARD WORLD INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Results and dividends

The profit for the year, after taxation, amounted to £6.2m (2020 - £9.3m).

Directors

The directors who served during the year were:

Mr B Reynolds

Mr B Thew

Mr P Goepel

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including *FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'*). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

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

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

Energy usage and greenhouse gas emissions

Based on recent energy audit reports the Company has consumed less than 40MWh in the UK, including offshore area, during the year ended 31 December 2021. Therefore, qualify as low energy users, and not required to make detailed disclosures of energy and carbon information.

Disclosure of information to auditor

The directors confirm that:

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

Post balance sheet events

On 25 January 2022, the Company's parent entity, Safeguard World International Holdings Limited, acquired a company. As part of the funding for the Global Upside acquisition, the Group amended its 2020 debt facility with JPMorgan Chase Bank on 25 January 2022. This amendment increased the total term debt to approximately £63m and added a line of credit of approximately £7.5m. We entered into subordinated debt agreements and raised approximately £8.9M which was used to fund the acquisition. In addition, we entered into seller notes of approximately £14.8M as part of the acquisition.

The goodwill related to the above transaction will be reflected in the Company financial statements for the period dated 31 December 2022.

Auditor

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

This report was approved by the board in December 2022 and signed on its behalf.



Mr B Reynolds
Director

Date: 21/12/2022

SAFEGUARD WORLD INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFEGUARD WORLD INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Safeguard World International Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

SAFEGUARD WORLD INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFEGUARD WORLD INTERNATIONAL LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

SAFEGUARD WORLD INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFEGUARD WORLD INTERNATIONAL LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to domestic and overseas operations, including health and safety, employees, data protection and anti-bribery and corruption.
- We understood how Safeguard World International Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business and a review of Board minutes to identify any noncompliance with laws and regulations.

SAFEGUARD WORLD INTERNATIONAL LIMITED

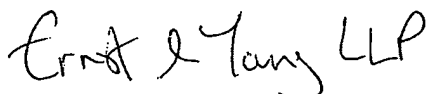
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFEGUARD WORLD INTERNATIONAL LIMITED (CONTINUED)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. As a result of our assessment, we have identified accounting for revenue recognition as a result incorrect recording of revenue at the year-end in line with contractual terms and conditions along with inappropriate capitalisation of development spend to be fraud risks. In response to the identified fraud risks we have performed substantive testing over a sample of revenue transactions around the year end date together with a review of contract terms to determine appropriate revenue recognition and substantive testing over a sample of capitalised development costs to determine the costs met the appropriate criteria for capitalisation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.



Paul Copland (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
23 December 2022

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

		2021	2020
	Note	£'000	£'000
Turnover	4	42,443	32,992
Cost of sales		(21,857)	(16,848)
Gross profit		<u>20,586</u>	<u>16,144</u>
Distribution costs		(249)	(185)
Administrative expenses		(11,499)	(7,214)
Operating profit	5	8,838	8,745
Interest receivable and similar income	9	8	1
Interest payable and expenses	10	(1,337)	(310)
Profit before tax		<u>7,509</u>	<u>8,436</u>
Tax on profit	11	(1,316)	811
Profit for the financial year		<u><u>6,193</u></u>	<u><u>9,247</u></u>
Other comprehensive income for the year			
Currency translation differences		2	-
Total comprehensive income for the year		<u><u>6,195</u></u>	<u><u>9,247</u></u>

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

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

The notes on pages 13 to 37 form part of these financial statements.

SAFEGUARD WORLD INTERNATIONAL LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

REGISTERED NUMBER:06439329

		2021	2020
	Note	£'000	£'000
Non-current / fixed assets			
Intangible assets	12	2,930	1,863
Tangible assets	13	186	98
Investments	14	5,237	5,313
Debtors: amounts falling due after more than one year	15	128	117
		8,481	7,391
Current assets			
Debtors: amounts falling due within one year	15	20,074	10,789
Cash at bank and in hand	16	5,379	5,631
		25,453	16,420
Creditors: amounts falling due within one year	17	(28,434)	(25,190)
Net current liabilities		(2,981)	(8,770)
Total assets less current liabilities		5,500	(1,379)
Creditors: amounts falling due after more than one year	18	(19,026)	(18,342)
Net liabilities		(13,526)	(19,721)
Capital and reserves			
Called up share capital	21	8	8
Share premium account	22	5,913	5,913
Profit and loss account	22	(19,447)	(25,642)
		(13,526)	(19,721)

The financial statements were approved and authorised for issue by the board and were signed on its behalf in December 2022.


 Mr B Reynolds
 Director

Date: 21/12/2022

The notes on pages 13 to 37 form part of these financial statements.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2020	8	5,913	(34,889)	(28,968)
Comprehensive income for the year				
Income for the year	-	-	9,247	9,247
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2021	8	5,913	(25,642)	(19,721)
Comprehensive income for the year				
Income for the year	-	-	6,195	6,195
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 37 form part of these financial statements.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

1. General information

Safeguard World International Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Edwin Foden Business Centre, Moss Lane, Sandbach, Cheshire, CW11 3AE.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The Company has taken advantage of the exemption granted under section 400 of the Companies Act 2006 not to prepare group accounts. These financial statements therefore present information about the Company as an individual undertaking.

The following principal accounting policies have been applied:

2.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS102.

2.3 Going concern

The financial statements have been prepared on a going concern basis given the company has support from its parent Safeguard World International Holdings Limited to meet its funding needs.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Review Report as part of the statutory financials as at December 31, 2021.

The consolidated turnover in fiscal year 2021 increased 21.8% to £69.6m as compared to £57.2m in fiscal year 2020. 2021 adjusted EBITDA was £6.8m against £4.8 in 2020, which was in line with our 2021 budget expectation, following an increase in investment in new staff, operating infrastructure and the growth in the Global Employment Outsourcing ("GEO") business line. After charges for depreciation and amortisation of £1.3m (2020: £0.8m), a charge of £0.1m (2020: charge of £0.6m) in relation to the foreign exchange gain on the revaluation of loan and other foreign asset and liabilities expensed to the profit and

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

2. Accounting policies (continued)

2.3 Going concern (continued)

loss account; an operating profit of £2.9m was generated, compared to an operating profit of £3.6m in fiscal year 2020.

The directors consider the results to be satisfactory and in line with expectations.

The financial statements have been prepared on a going concern basis for the following reasons:

The Group has made an operating profit of £2.9m and generated adjusted operating profit before exceptional items, depreciation, and amortisation of intangibles of £6.7m. One off exceptional cost includes costs related to additional growth investment in the Group. The Directors are in the process of approving a forecast through to end of year 2023, which indicate the Group will be able to operate within its current banking facility.

A primary view of the business and its ability to continue as a going concern is through the budget and forecast process of the Company. A review of the profit and loss as well as the cash forecast of the Company is also being prepared and reviewed with management.

Additionally, the company applies sensitivity considerations based on plausible downside scenarios to the forecasts. The two main scenarios applied are removing any revenue growth assumptions and then further reducing the anticipated revenue by applying different levels of loss in customer base. In the case of both scenarios the Company takes a detailed approach to reviewing the offsetting expenses and available controllable mitigations. In each case, with the reduced expense measures, there was no significant risk to cash that would result in not being able to meet covenants or provide for the operating expenses of the business during the time reviewed.

At the end of the year 2021 the Company was in a net liability position due to our leveraged model including our JP Morgan term loan and our preference share liability. This net liability position is due to non-current obligations which is not uncommon for a high growth private company like Safeguard. The company can comfortably meet short term liability obligations from current assets. The Company is generating healthy cash flows as evidenced by increasing working capital noted above that will be sufficient for meeting debt service obligations and is building towards a strong anticipated acquisition pipeline to continue to move towards the anticipated budgeted growth.

As detailed in Post balance sheet events note, as part of the funding for the Global Upside acquisition, the Group amended its 2021 debt facility with JPMorgan Chase Bank on 25 January 2022. This amendment increased the total term debt to approximately £63m and added a line of credit of approximately £7.5m. Subordinated debt agreements were entered into and raised approximately £8.9M which was used to fund the acquisition. In addition, seller notes of approximately £14.8M were entered into as part of the acquisition.

The Directors have an expectation that the Group has adequate resources to continue as going concern through to the going concern period to 31st December 2023. Therefore, these accounts have been prepared on a going concern basis.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

2. Accounting policies (continued)

2.4 Revenue

Revenue is generated from global employee outsourcing and globally managed payroll services.

Global employee outsourcing revenue relates to amounts billed for service fees, project fees, foreign exchange fees and ad hoc charges. This revenue is recognised in comprehensive income once the significant performance obligations have been satisfied in accordance with the terms of the contract, this is either over time or point in time recognition.

Globally managed payroll services revenue relates to amounts billed for payslip processing, project management fees, set up fees, technical build fees, tax year end fees and ad hoc charges. This revenue is recognised in comprehensive income once the significant performance obligations have been satisfied in accordance with the terms of the contract, this is either over time or point in time recognition.

Amounts invoiced in advance of the performance of the service are held within deferred income.

Turnover is recognised only when:

- The consideration received is fixed or determinable
- There are no significant vendor obligations remaining
- Collection of the amount due from the customer is reasonably assured

2.5 Deferred costs

The deferral of revenue relating to set up fees over the life of the relevant contract necessitates recognition of the related costs of set up fees over the period of payroll processing. The impact of this is to adjust costs of sales in comprehensive income and to record an appropriate amount of deferred costs in the Statement of Financial Position.

Costs in respect of set up fees are deferred until such work is considered complete and are then recognised ratably over the term of the related customer contract.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

2. Accounting policies (continued)

2.6 Intangible assets

Intangible assets consist of internal and external development costs capitalised in respect of the Global software used for payroll processing to generate income.

Development costs are recognised as an intangible asset when all of the following criteria are demonstrated;

- The technical feasibility of completing the product so that it will be available for use or sale
- The intention to complete the product and use or sell it
- The ability to use the product or sell it
- How the product will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the product
- The ability to measure reliably the expenditure attributable to the product during its development.

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. The range noted below is determined by management based on the expected usable life of the assets within the categories noted not to exceed ten years.

The estimated useful life is as follows:

Software	3 years	(2020: 3 years)
Internally generated assets	3 years	(2020: 3 years)

2.7 Tangible fixed assets

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

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

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Fixtures and fittings	- 3 years (2020: 3 years)
Office equipment	- 3 years (2020: 3 years)
Hardware	- 3 years (2020: 3 years)

The assets' residual values, useful lives, amortisation, and depreciation methods are reviewed by management based on estimated usable life of the asset, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.8 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

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

2.11 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.

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

2. Accounting policies (continued)

2.12 Financial instruments

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

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

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

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

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

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

2.13 Creditors

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

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.15 Finance costs

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

2.16 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 the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

2. Accounting policies (continued)

2.18 Current and deferred taxation

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

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

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives of 3 years based on management's decision on the basis of the assets useful life.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.20 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.21 Impairment of fixed assets and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

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

In applying these accounting policies the following key judgements and estimates have been made:

Estimation of level of costs to accrue on individual contracts

When contract costs have been incurred but not yet invoiced, estimate is made of the level of such costs to accrue within the period. This is based upon management's experience of historical contract cost rates.

The applicable depreciation and amortisation rates

When assets are acquired estimates are made of the expected useful lives of tangible and intangible assets. These assets are then written off over the period of these expected lives.

The appropriateness of the capitalisation of internally generated software costs

Management demonstrate judgement in distinguishing the research and development phases of a new internally developed asset, and determining whether the recognition requirements of FRS 102 have been met.

The level of bad debts provision

Management have considered the need for a provision against bad and doubtful debts. The provision is an estimate of the actual costs and timing of future cash flows and is dependent on future events. The difference between expectations and the actual future liability will be accounted for in the period when such a determination is made.

The assessment of any impairment required to intangible assets

Management assesses at each reporting date whether there is any indication that an asset may be impaired, by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If management deem an impairment indicator to exist, an impairment review is undertaken to estimate the recoverable amount of the asset.

4. Turnover

The whole of the turnover, generated in the UK, is attributable to the principal activities of the business.

Analysis of turnover by type: Global Employee Outsourcing and Globally Managed Payroll.

	2021	2020
	£'000	£'000
Global Employee Outsourcing	28,350	19,268
Globally Managed Payroll	14,093	13,724
	<u>42,443</u>	<u>32,992</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

5. Operating profit

The operating profit is stated after charging:

	2021	2020
	£'000	£'000
Depreciation of tangible fixed assets	72	46
Amortisation of intangible assets	815	19
Difference on foreign exchange	398	156
Other operating lease rentals	253	254

6. Auditor's remuneration

	2021	2020
	£'000	£'000
Auditor's remuneration	165	165
	<u>165</u>	<u>165</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

7. Employees

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

	2021	2020
	£'000	£'000
Wages and salaries	9,138	5,177
Social security costs	810	564
Cost of defined contribution scheme	192	158
	<u>10,140</u>	<u>5,899</u>

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

	2021	2020
	No.	No.
Employees	176	150
Directors	3	3
Total	<u>179</u>	<u>153</u>

8. Directors' remuneration

	2021	2020
	£'000	£'000
Wages and salaries	679	716
Social Security Costs	22	19
Total Directors' emoluments	<u>701</u>	<u>735</u>

The highest paid director received remuneration of £519,016 (2020: £531,497). Emoluments include rent £nil (2020: £79,271), healthcare £15,030 (2020: £14,608), employer paid taxes £21,843 (2020: £13,175), pension contributions £1,562 (2020: £Nil).

9. Interest receivable

	2021	2020
	£'000	£'000
Other interest receivable	<u>8</u>	<u>1</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

10.	Interest payable and similar expenses		
		2021	2020
		£'000	£'000
	Bank interest payable	1,337	310
		<u> </u>	<u> </u>
11.	Taxation		
		2021	2020
		£'000	£'000
	Corporation Tax		
	Current Tax	169	24
	Adjustments in respect of previous periods	76	(41)
	Total current tax	<u>245</u>	<u>(17)</u>
	Deferred tax		
	Adjustment in respect of prior period	(250)	-
	Origination and reversal of timing differences	1,651	(794)
	Effect of tax rate change on opening balance	(330)	-
	Origination and reversal of timing differences	<u>1,071</u>	<u>(794)</u>
	Taxation on profit on ordinary activities	<u>1,316</u>	<u>(811)</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	7,509	8,436
<hr/>		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	1,427	1,602
Effects of:		
Fixed asset timing differences	(8)	-
Expenses not deductible for tax purposes	5	(352)
Adjustments to tax charge in respect of previous periods	76	(41)
Remeasurement of deferred tax for changes in tax rate	(250)	(209)
Movement in deferred tax not recognised	-	(1,778)
Remeasurement of deferred tax for changes in tax rates	66	-
Utilization of RDEC credit	-	(25)
Group relief surrendered	-	(8)
Total tax charge/(credit) for the year	1,316	(811)

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were reflected in the measurement of deferred tax balances at the period end and decreased expense by £330k.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

12. Intangible assets

	Internally generated software £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2021	9,818	2,312	12,130
Additions	1,876	6	1,882
At 31 December 2021	<u>11,694</u>	<u>2,318</u>	<u>14,012</u>
Amortisation			
At 1 January 2021	7,993	2,274	10,267
Charge for the year	793	22	815
As 31 December 2021	<u>8,786</u>	<u>2,296</u>	<u>11,082</u>
Net book value			
At 31 December 2021	<u>2,908</u>	<u>22</u>	<u>2,930</u>
At 31 December 2020	<u>1,825</u>	<u>38</u>	<u>1,863</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

13. Tangible fixed assets

	Fixtures and fittings £'000	Office equipment £'000	Hardware £'000	Total £'000
Cost or valuation				
At 1 January 2021	113	173	124	410
Additions	-	-	160	160
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	113	173	284	570
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2021	105	154	53	312
Additions	4	9	59	72
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	109	163	112	384
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2021	4	10	172	186
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	8	19	71	98
	<hr/>	<hr/>	<hr/>	<hr/>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

14. Fixed asset investments

	Investments in subsidiary companies £'000
Cost or valuation	
At 1 January 2021	5,313
Intercompany loans repaid by subsidiaries	(45)
FX variance	(31)
At 31 December 2021	<u>5,237</u>
Net book value	
At 31 December 2021	<u>5,237</u>
At 31 December 2020	<u>5,313</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Holding
SAFEGUARD WORLD INTERNATIONAL LLC	USA	International payroll provider	100%
Safeguard World Asia Pacific Limited	Hong Kong	International payroll provider	100%
Safeguard World Payroll Services Private Limited	India	International payroll provider	100%
SGWI Grupo Mexico SA DE CV	Mexico	International payroll provider	100%
SGWI Nomiria Mexico SA DE CV	Mexico	International payroll provider	100%
Safeguard World Payroll Services Canada Limited	Canada	International payroll provider	100%
Safeguard World Hungary Kft	Hungary	International payroll provider	100%
Adm In Staff SA	Switzerland	International payroll provider	100%
Adm In ME SA	Switzerland	International payroll provider	100%
Adm In Swiss Sarl	Switzerland	International payroll provider	100%
Adm In France SRL	France	International payroll provider	100%
AIES Center SL	Spain	International payroll provider	100%
AIFR Center SRL	France	International payroll provider	100%
AIPT Center Lda	Portugal	International payroll provider	100%
AIIT Center SRL	Italy	International payroll provider	100%
Antex Hellas SRL	Greece	International payroll provider	100%
AIMS Center SRL	Moldova	International payroll provider	100%
HRPM Technologies Sarl	Switzerland	International payroll provider	100%
HRPM MS SRL	Moldova	International payroll provider	100%
WFIT CRM Services SRL	Italy	International payroll provider	100%
WFCRM Services Lda	Portugal	International payroll provider	100%

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

14. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
WFES CRM Services SL	Spain	International payroll provider	100%
WFFR CRM Services SRL	France	International payroll provider	100%
WFES BO Management SL	Spain	International payroll provider	100%
WFBO Management Lda	Portugal	International payroll provider	100%
Workfor Switzerland AG	Switzerland	International payroll provider	100%
Workfor PEO SRL	Italy	International payroll provider	100%
Workfor PEO ETT SL	Spain	International payroll provider	100%
Workfor France SRL	France	International payroll provider	100%
BOSS SRL	Moldova	International payroll provider	100%
Gesellschaft für Datenverwaltung GmbH	Germany	International payroll provider	100%
Safeguard Global New Zealand	New Zealand	International payroll provider	100%
WorkFor Safeguard Sweden AB	Sweden	International payroll provider	100%
Safeguard Global Poland	Poland	International payroll provider	100%
Safeguard Global SG PTE LTD	Singapore	International payroll provider	100%
ADM In Me RO Center	Romania	International payroll provider	100%
WORKFOR RO Center	Romania	International payroll provider	100%
Safeguard Global BPO AG	Switzerland	International payroll provider	100%
Safeguard Global France Holding	France	International payroll provider	100%
Safeguard Global France Portage Solution	France	International payroll provider	100%
Safeguard Global France Consulting Solutions	France	International payroll provider	100%
Safeguard Global Romania	Romania	International payroll provider	100%

SAFEGUARD WORLD INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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Name	Registered office	Principal activity	Holding
Safeguard Global Belgium bv	Belgium	International payroll provider	100%
WorkFor Safeguard AS	Norway	International payroll provider	100%
WorkFor Safeguard ApS	Denmark	International payroll provider	100%
WorkFor Safeguard B.V.	Netherlands	International payroll provider	100%
Safeguard Global Payroll B.V.	Netherlands	International payroll provider	100%
SGG Consulting GmbH	Germany	International payroll provider	100%
WF Safeguard GmbH	Germany	International payroll provider	100%
Safeguard Global GEO Solutions Limited Kenya	Kenya	International payroll provider	100%
Safeguard Global South Africa GEO PTY LTD	South Africa	International payroll provider	100%
Safeguard Global South Africa BPO PTY LTD	South Africa	International payroll provider	100%
Safeguard Global China	China	International payroll provider	100%
SafeGuard Global Taiwan Limited	Taiwan	International payroll provider	100%
SafeGuard Global Philippines INC	Philippines	International payroll provider	100%
Safeguard World Australia Pty Ltd	Australia	International payroll provider	100%
Safeguard Global Bangladesh Ltd	Bangladesh	International payroll provider	100%
Safeguard Global South Korea Ltd	South Korea	International payroll provider	100%
Safeguard Global Malaysia SDN BDH	Malaysia	International payroll provider	100%
Work For RO Center SRL (Romania)	Romania	International payroll provider	100%
Safeguard World Support Services Private Limited	India	International payroll provider	100%

The financial statements for the above subsidiaries have been consolidated in the financial statements of the Safeguard World International Holdings Limited.

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

15. Debtors

	2021	2020
	£'000	£'000
Due after more than one year		
Deferred cost	128	117
	<u>128</u>	<u>117</u>
	2021	2020
	£'000	£'000
Due within one year		
Trade debtors	17,040	7,827
Prepayments and accrued income	2,921	2,039
Deferred cost	113	89
Corporation Tax	-	41
Deferred Tax	-	793
	<u>20,074</u>	<u>10,789</u>

16. Cash at bank and in hand

	2021	2020
	£'000	£'000
Cash at bank and in hand	5,379	5,631
	<u>5,379</u>	<u>5,631</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

17. Creditors: Amounts falling due within one year

	2021	2020
	£'000	£'000
Other loans	4,156	4,263
Trade creditors	6,773	4,485
Amounts owed to group undertakings	6,960	8,728
Other taxation and social security	3,721	2,754
Other creditors	195	531
Accruals and deferred income	6,073	4,429
Corporation tax	279	-
Deferred taxation	277	-
	<u>28,434</u>	<u>25,190</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Secured loans

In 31 March 2020, the loan held with AB Private Credit Investors LLC was repaid in its entirety and was replaced by a new facility with JP Morgan LLC that was secured by the assets in Safeguard World International Limited as well as through a cross guarantee by Safeguardworld International LLC.

It is subject to a variable interest rate. The agreement includes a liquidity covenant of \$4m. The Company was in compliance throughout 2021 and through the date these financial statements were issued.

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

	2021	2020
	£'000	£'000
Other loans	18,054	17,613
Accruals and deferred income	972	729
	<u>19,026</u>	<u>18,342</u>

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

19. Financial instruments

	2021	2020
	£'000	£'000
Financial assets		
Financial assets measured at fair value through profit or loss	5,379	5,631
Financial assets that are debt instruments measured at amortised cost	19,642	11,004
	25,021	16,635
	25,021	16,635
Financial liabilities		
Financial liabilities measured at amortised cost	(47,539)	(43,508)
	(47,539)	(43,508)
	(47,539)	(43,508)

Financial assets measured at amortised cost comprise debtors, other receivables, loans to group undertakings and cash balances.

Financial liabilities measured at amortised cost comprise trade creditors, other liabilities, loans and overdrafts.

20. Deferred taxation

	2021	2020
	£'000	£'000
At beginning of year	(794)	-
Charged/(credited) to profit or loss	1,321	(794)
Prior year adjustment	(250)	-
At end of year	277	(794)
	277	(794)

The deferred tax liability/(asset) is made up as follows:

	2021	2020
	£'000	£'000
Fixed asset timing differences	402	194
Short term timing differences	(12)	(34)
Losses and other deductions	(113)	(954)
Total deferred tax liability	277	(794)
	277	(794)

SAFEGUARD WORLD INTERNATIONAL LIMITED

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

21. Share capital

	2021	2020
	£'000	£'000
Allotted, called up and fully paid		
8,173,000 (2020 - 8,173,000) Ordinary shares of £0.001 each	8	8
	<u>8</u>	<u>8</u>

There is a single class of ordinary voting shares. There are no restrictions on dividends and the repayment of capital.

22. Reserves

Share premium account

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

Share based payments

In 2018, the Safeguard World International Holdings Ltd (the parent company) adopted the 2018 Share Incentive Plan in which share options are granted at the discretion of the board of directors of the parent company. On 21 December 2018, the parent company granted 602,087 share options to 103 employees, of which 169,000 were granted to 46 employees of Safeguard World International Ltd. The options have a condition that the employee remains employed by the group for the vesting to be achieved. The options have a contractual term of 10 years from the date of grant and vest on a graded schedule over a five-year period, with 25% vesting after the first anniversary of the grant, and the remainder vesting spread over each additional month for a 48-month period. 9 of these employees have left as at the year end, including 6 employees of the UK Company, and so the number of share options outstanding is 644,587. As of 31 December 2021, 51,000 remain available to grant.

The fair value of the shares has been assessed using the Black- Scholes model. Management deems this appropriate as there are no market performance conditions preventing the use of this model. In the current year an expense of £151,267 (2020: £233,514) has been recognised in profit & loss of the parent company.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2021		2020	
	# of shares	WAEP	# of shares	WAEP
	(in thousands)		(in thousands)	
Outstanding at 1 January	553	£7.42	571	£7.42
Issued in year	114	£10.55	-	
Forfeited in year	(22)	£7.42	(18)	£7.42
Outstanding at 31 December	<u>645</u>		<u>553</u>	
Exercisable at 31 December	357		250	

SAFEGUARD WORLD INTERNATIONAL LIMITED

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22. Reserves (continued)

Profit and loss account

Includes all current and prior period retained profits and losses of the Company.

23. Commitments under operating leases

The operating lease occupied by the Company is on a month-to-month renewal agreement throughout 2021. Subsequently, the company entered into a new lease agreement effective June 30th 2022.

At 31 December 2021 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	£'000	£'000
Not later than 1 year	109	-
Later than 1 year and not later than 5 years	447	-
Later than 5 years	55	-
	<u>611</u>	<u>-</u>

Related party transactions

In the year £127,200 (2020: £127,200) was charged by Active Non Executive Services Limited, a company for which Bruce Thew is a director, for directors and other fees. There was £Nil (2020: £Nil) owing at year end.

In the year £54,589 (2020: £54,892) was charged by APPD Investments LLC, a company for which Pat Goepel is a director, for directors and other fees. There was £Nil (2020: £Nil) owing at year end.

In the year £10,139 (2020: £2,596) was charged to Asure Software, a company owned by Pat Goepel for payroll processing fees.

In the year £Nil (2020: £6,331) was charged by MMC Ventures, a shareholder in Safeguard World International Holdings Limited. There was £Nil (2020: £Nil) owing at year end.

The Company has taken advantage of the exemption from disclosing transactions between members of the group.

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24. Ultimate controlling party

The Company is a subsidiary of Safeguard World International Holdings Limited. The directors consider that there is no ultimate controlling party. Safeguard World International Holdings Limited represents the consolidated financial statements. The consolidated accounts of Safeguard World International Holdings Limited are available from Safeguard World International Holdings Limited, Edwin Foden Business Centre, Moss Lane, Sandbach, Cheshire, CW11 3AE.

25. Subsequent events

On 25 January 2022, the Company's parent entity, Safeguard World International Holdings Limited, acquired a company. As part of the funding for the Global Upside acquisition, the Group amended its 2020 debt facility with JPMorgan Chase Bank on 25 January 2022. This amendment increased the total term debt to approximately £63m and added a line of credit of approximately £7.5m. We entered into subordinated debt agreements and raised approximately £8.9M which was used to fund the acquisition which is due July 2027. In addition, we entered into seller notes of approximately £14.8M as part of the acquisition which is due January 2024. There are no financial covenants

The goodwill related to the above transaction will be reflected in the Company financial statements for the period dated 31 December 2022.

27. Ultimate controlling party

The directors consider that there is no ultimate controlling party.