

Registered number
05558651

SME HCI Limited

Report and Financial Statements

30 November 2022



SME HCI Limited

Report and accounts

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SME HCI Limited

Company Information

Directors

S P Moyle
G Michalakidis
D J Bryan
G M Gaffney
S A Clark
C E Gallagher-Powell

Auditors

Taylor Viney & Marlow Limited
46-54 High Street
Ingatestone
Essex
CM4 9DW

Registered office

5 Margaret Road
Romford
Essex
RM2 5SH

Registered number

05558651

SME HCI Limited

Registered number: 05558651

Directors' Report

The directors present their report and financial statements for the period ended 30 November 2022.

Principal activities

The company's principal activity during the year was the supply of Employee Benefits, Health and Wellbeing and Salary Sacrifice schemes to both the Public and Private Sectors.

Future developments

2023 has seen the momentum from 2022 continue. This has resulted in a record first quarter for new client wins, new employees with access to the Vivup platform and employee platform utilisation.

We are seeing strong initial year on year growth across all elements of employee engagement, and this is driving margin, B2B revenues and gross profit.

Our dominance across the NHS is set to continue with pace growing quickly across the wider public sector including local councils, central government, blue light and universities to name a few.

Vivup dominates the competitive public sector frameworks across our core benefit platform market, with more business being awarded than all competitors combined.

2023 has started with an increased framework win rate across standalone benefits such as EAP, this is attributed to the market evolving to allocate higher scores for quality rather than pure cost.

Vivup launched a private sector SME proposition in 2022, which the market has responded well to, it is expected that Vivup will grow across this sector at a reasonable rate helping to grow overall margin.

Results

The results of the company for the year are set on Page 9

Dividends

The directors will be declaring a dividend payment during 2023 in relation to 2022

Events since the balance sheet date

There are no events after the balance sheet date that affects the financial statements.

Directors

The following persons served as directors during the period:

J Y Davis	(resigned 7 December 2022)
R H Ellis	(resigned 7 December 2022)
J C Facey	(resigned 7 December 2022)
S P Moyle	
G Michalakidis	
D J Bryan	
G M Gaffney	
S A Clark	(appointed 7 December 2022)
C E Gallagher-Powell	(appointed 7 December 2022)

SME HCI Limited

Registered number: 05558651

Directors' Report

Auditors

The auditor, Taylor Viney & Marlow Limited will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Directors' responsibilities

The directors are responsible for preparing the report and 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 (Financial Reporting Standard 102 and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

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

This report was approved by the board on 18/08/2023 and signed on its behalf.



D J Bryan
Director

SME HCI Limited

Strategic Report

The directors regard turnover and gross margin as the key performance indicators of the business.

Top-line Turnover is driven by the growth in the business client base and deeper penetration of the offer into the available client employee universe.

2022 saw a continuing growth and improvement in the overall performance of the business with significant investment made into staff and technology for the future growth and profitability.

We consider that the EBITDA measure is appropriate as a measure of overall financial health and performance as it takes account of the investment made in our proprietary technology and platform capabilities, which whilst invested into in the present, has significant long-term value and benefit to the future prosperity of the business. A summary to an Adjusted EBITDA position is given below.

During the financial period we also carried significant one-off non-recurring costs related to the Management Buy Out that occurred after the accounting period on the 6th December 2022. These items total £827k (and are shown as a separate line item on the Income Statement, these had the effect of artificially suppressing the EBITDA in 2022.

Adjusting for the one-off non-recurring costs, EBITDA for the period to Nov 2022 was £4.4m. Including December, EBITDA for the full year 2022 would be £5.1m, compared to a 2021 comparative of £3.2m. The business shows a growth of 38% for a 11 month period to Nov 2022 compared to a 12 month period reported in 2021. EBITDA for the full year including December 2022 has increased 56% compared to 2021.

	Full year to Dec-22	Jan to Nov-22	Full year to Dec-21	Movement % FY to FY
Profit on ordinary activities	2,786,609	2,871,567	1,756,649	58.6%
Non-recurring MBO Cost	1,513,498	826,805	636,188	
Depreciation and amortisation	530,685	488,779	382,333	
Net interest costs	231,273	138,739	428,061	
EBITDA	5,062,065	4,325,890	3,203,231	58.0%

Description of principal risks and uncertainties

Post the COVID 2019 pandemic, and subsequent economic turmoil in 2022 caused by the War in Ukraine and the Cost of Living crisis, the business considers that the second half of 2022 and early indications on 2023 are more stable, with less volatility and more consumer confidence.

Supply chain issues have eased, and The Board continue to keep a view on the future product and supply chain partners to ensure that these remain as robust and trusted as possible.

Business growth has been managed well and The Board have every faith in the business leadership and management to continue to grow the business in a profitable manner, aligned to client expectations and the overriding culture of SME HCI Ltd (Trading as Vivup)

Analysis based on KPI

These period accounts represent the 11 month period to end of November, but still show an increase in Turnover on the full year of 2021 of 18.0%. It should be noted that December 2022 was the third largest month for sales in the year at £5.8m, and was itself up 74% on December 2021

SME HCI Limited

Strategic Report (continued)

On an adjusted full year (12 month basis) Turnover was up 34.8% on 2021.

This translated into very strong Gross profit growth and bottom-line profit performance of 33% growth for the 11 months against a full year 2022.

An adjusted full year comparison excluding the one off costs would show a growth year in year in excess of 73%

Analysis of development and performance

The company considers many performance indicators, both financial and non-financial. The company is a very data rich business, which allows it to forecast and also reflect accurately upon decisions and actions made in the pursuit of optimisation and overall corporate health and growth.

Key operating metrics include, customer engagement, propensity to purchase, average order value (AOV) and repeat purchases, alongside the more traditional financial metrics of Gross Profit, EBITDA, working capital efficiency and return on capital.

	Jan to Nov- 22 2022 £	Full year to Dec-21 2021 £	Movement %
Turnover	41,433,752	35,124,617	18.0%
Gross profit (adjusted)	10,692,815	8,041,345	33.0%
Gross profit margin	25.8%	22.9%	
Operating (loss)profit before tax	2,871,567	1,756,649	63.5%

Financial risk management

The Company's operations expose it to some transactional and financial risks. The Company has a robust management team and risk management programme in place that seeks to limit the adverse effects on the financial performance of the Company by monitoring and acting on risk.

Additional information and explanations

The Company has a strong leadership and clear direction, that is cascaded through the organisational structure. The Leadership believe in fair and rewarding work life balance, and have built a motivated and experienced team across the organisation to meet client needs and to build an operation that has capacity to grow and support its client base into the future.

By order of the Board

D J Bryan
Director



SME HCI Limited

Independent auditor's report to the members of SME HCI Limited

Opinion

We have audited the financial statements of SME HCI Limited (the 'company') for the period ended 30 November 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including 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 the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

SME HCI Limited

Independent auditor's report to the members of SME HCI Limited

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that 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. Audit staff with sufficient knowledge and expertise to identify non-compliance with laws and regulations were deployed on the audit.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. We did not identify any key audit matters relating to irregularities, including fraud.

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

SME HCI Limited

**Independent auditor's report
to the members of SME HCI Limited**

A further description of our responsibilities for the audit of the financial statements 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.

Neil A. Chambers
(Senior Statutory Auditor)
for and on behalf of
Taylor Viney & Marlow Limited
Statutory Auditor



46-54 High Street
Ingatstone
Essex
CM4 9DW

SME HCI Limited

Income Statement

for the period from 1 January 2022 to 30 November 2022

	Notes	2022 £	Restated 2021 £
Turnover	3	41,433,752	36,069,225
Cost of sales		(30,740,937)	(27,732,339)
Gross profit		<u>10,692,815</u>	<u>8,336,886</u>
Administrative expenses		(6,995,989)	(5,398,308)
Other operating income		79,013	214,861
Operating profit	4	<u>3,775,839</u>	<u>3,153,439</u>
Profit on sale of fixed assets		61,272	-
Prior year adjustment			(295,541)
Loss on the revaluation of investments		-	(37,000)
Interest receivable		715,055	-
Interest payable	7	(853,794)	(428,061)
Non-recurring Management Buy-Out Cost		(826,805)	(636,188)
Profit on ordinary activities before taxation		<u>2,871,567</u>	<u>1,756,649</u>
Tax on profit on ordinary activities	8	(553,463)	-
Profit for the period		<u><u>2,318,104</u></u>	<u><u>1,756,649</u></u>

The Notes on pages 14 to 24 form part of these financial statements.

The Income Statement has been prepared on the basis that all operations are continuing operations.

SME HCI Limited

**Statement of Comprehensive Income
for the period from 1 January 2022 to 30 November 2022**

	Notes	2022 £	2021 £
Profit for the period		2,318,104	1,756,649
Other comprehensive income			
Total comprehensive income for the period		<u>2,318,104</u>	<u>1,756,649</u>

SME HCI Limited

**Statement of Financial Position
as at 30 November 2022**

	Notes	2022 £	Restated 2021 £
Fixed assets			
Intangible assets-cost	9	1,351,642	941,542
Intangible assets-fair value	9	100,000	100,000
Tangible assets	10	112,475	48,269
Investment property	11	-	456,263
Investments	12	93,645	93,645
		<u>1,657,762</u>	<u>1,639,719</u>
Current assets			
Debtors	13	17,027,003	8,789,293
Cash at bank and in hand		<u>1,422,785</u>	<u>2,452,255</u>
		18,449,788	11,241,548
Creditors: amounts falling due within one year	14	(16,509,422)	(11,598,710)
		<u>1,940,366</u>	<u>(357,162)</u>
Net current assets/(liabilities)			
		<u>3,598,128</u>	<u>1,282,557</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	-	(2,533)
		<u>3,598,128</u>	<u>1,280,024</u>
Net assets			
		<u>3,598,128</u>	<u>1,280,024</u>
Capital and reserves			
Called up share capital	17	40	40
Profit and loss account	18	3,598,088	1,279,984
		<u>3,598,128</u>	<u>1,280,024</u>
Total equity			
		<u>3,598,128</u>	<u>1,280,024</u>

These financial statements were approved and authorised for issue by the Board on

Signed on behalf of the board of directors



D J Bryan
Director

Company registration number 05558651

The Notes on pages 14 to 24 form part of these financial statements.

SME HCI Limited

**Statement of Changes in Equity
for the period from 1 January 2022 to 30 November 2022**

	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2021	40	-	-	(476,665)	(476,625)
Profit for the financial year				1,756,649	1,756,649
At 31 December 2021	<u>40</u>	<u>-</u>	<u>-</u>	<u>1,279,984</u>	<u>1,280,024</u>
Effect of retrospective changes in accounting policies (Note 19)				295,541	295,541
At 1 January 2022	40	-	-	1,279,984	1,280,024
Profit for the period				2,318,104	2,318,104
At 30 November 2022	<u>40</u>	<u>-</u>	<u>-</u>	<u>3,598,088</u>	<u>3,598,128</u>

SME HCI Limited

**Statement of Cash Flows
for the period from 1 January 2022 to 30 November 2022**

	Notes	2022 £	2021 £
Operating activities			
Profit for the period		2,318,104	1,756,649
Adjustments for:			
Profit on sale of fixed assets		(61,272)	-
Loss on the disposal of investments		-	37,000
Prior year adjustment		-	295,541
Interest receivable		(715,055)	-
Interest payable		853,794	428,061
Tax on profit on ordinary activities		553,463	-
Depreciation		33,439	21,323
Amortisation of R&D		455,340	361,010
Increase in debtors		(8,237,710)	(3,059,905)
Increase/(decrease) in creditors		4,415,192	(483,697)
		<u>(384,705)</u>	<u>(644,018)</u>
Interest received		715,055	-
Interest paid		(886,574)	(380,841)
Interest element of finance lease payments		32,780	(47,220)
Cash used in operating activities		<u>(523,444)</u>	<u>(1,072,079)</u>
Investing activities			
Payments to acquire intangible fixed assets		(865,440)	(572,308)
Payments to acquire tangible fixed assets		(97,645)	(25,221)
Payments to acquire investments		-	(30,645)
Proceeds from sale of tangible fixed assets		517,535	-
Proceeds from sale of investments		-	65,001
		<u>(445,550)</u>	<u>(563,173)</u>
Cash used in investing activities		<u>(445,550)</u>	<u>(563,173)</u>
Financing activities			
Proceeds from new loans		-	6,588,225
Repayment of loans		(64,536)	(6,457,534)
Capital element of finance lease payments		4,060	709,896
		<u>(60,476)</u>	<u>840,587</u>
Cash (used in)/generated by financing activities		<u>(60,476)</u>	<u>840,587</u>
Net cash used			
Cash used in operating activities		(523,444)	(1,072,079)
Cash used in investing activities		(445,550)	(563,173)
Cash (used in)/generated by financing activities		(60,476)	840,587
		<u>(1,029,470)</u>	<u>(794,665)</u>
Net cash used		<u>(1,029,470)</u>	<u>(794,665)</u>
Cash and cash equivalents at 1 January		<u>2,452,255</u>	<u>3,246,920</u>
Cash and cash equivalents at 30 November		<u>1,422,785</u>	<u>2,452,255</u>
Cash and cash equivalents comprise:			
Cash at bank		<u>1,422,785</u>	<u>2,452,255</u>

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

1 Summary of significant accounting policies

Basis of preparation

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs.

Intangible fixed assets

Intangible fixed assets relating to Research and Development costs are measured at cost less accumulative amortisation and any accumulative impairment losses. Research & Development cost is written off in equal instalments over its estimated economic life of 5 years.

Intangible fixed assets relating to Software Licence are measured at fair value by the directors at the year end. Changes in fair value are included in the profit and loss account.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Plant and machinery	25% reducing balance
Fixtures, fittings, tools and equipment	25% reducing balance

Investment property

Investment property is initially recognised at cost and then subsequently measured at fair value annually. Changes in value are recognised in profit or loss.

Investments

Investments in subsidiaries, associates and joint ventures are measured at cost less any accumulated impairment losses. Listed investments are measured at fair value. Unlisted investments are measured at fair value unless the value cannot be measured reliably, in which case they are measured at cost less any accumulated impairment losses. Changes in fair value are included in the profit and loss account.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first in first out method. The carrying amount of stock sold is recognised as an expense in the period in which the related revenue is recognised.

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted. Deferred tax is not provided as the liability is not material.

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Pensions

Contributions to defined contribution plans are expensed in the period to which they relate.

Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates

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

3 Analysis of turnover	2022	2021
	£	£
Sale of goods	<u>41,433,752</u>	<u>36,069,225</u>
By geographical market:		
UK	<u>41,433,752</u>	<u>36,069,225</u>
4 Operating profit	2022	2021
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	33,439	21,323
Amortisation of Research & Development	455,340	361,010
Auditors' remuneration for audit services	15,000	10,750
Carrying amount of stock sold	<u>30,684,044</u>	<u>27,706,650</u>
Auditor's remuneration		
Fees payable to the company's auditors and associates For audit services		
Audit of the financial statements of the company	<u>15,000</u>	<u>10,750</u>
5 Directors' emoluments	2022	2021
	£	£
Emoluments	921,805	693,091
Company contributions to defined contribution pension plans	<u>36,793</u>	<u>92,536</u>
	<u>958,598</u>	<u>785,627</u>
Highest paid director:		
Emoluments	183,109	207,413
Company contributions to defined contribution pension plans	<u>-</u>	<u>3,216</u>
	<u>183,109</u>	<u>210,629</u>

SME HCI Limited**Notes to the Accounts**

for the period from 1 January 2022 to 30 November 2022

6 Staff costs	2022	2021
	£	£
Wages and salaries	4,348,935	3,232,135
Social security costs	435,160	335,166
Other pension costs	186,763	186,069
	<u>4,970,858</u>	<u>3,753,370</u>

Average number of employees during the year	Number	Number
Administration	45	26
Marketing	27	24
Sales	35	22
	<u>107</u>	<u>72</u>

7 Interest payable	2022	2021
	£	£
Finance charges payable under finance leases and hire purchase contracts	<u>853,794</u>	<u>428,061</u>

8 Taxation	2022	Restated 2021
	£	£
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	553,463	-
	<u>553,463</u>	<u>-</u>

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2022	2021
	£	£
Profit on ordinary activities before tax	<u>2,871,567</u>	<u>1,756,649</u>

SME HCI Limited

**Notes to the Accounts
for the period from 1 January 2022 to 30 November 2022**

Standard rate of corporation tax in the UK	19%	19%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	545,598	333,763
Effects of:		
Expenses not deductible for tax purposes	215,161	258,581
Research & Development	(164,434)	(251,239)
Capital allowances for period in excess of depreciation	(17,908)	(6,369)
Utilisation of tax losses	(24,954)	(334,736)
Current tax charge for period	<u>553,463</u>	<u>-</u>

9 Intangible fixed assets

Cost model	Research & Development
	£
Cost	
At 1 January 2022	2,057,443
Additions	865,440
At 30 November 2022	<u>2,922,883</u>

Amortisation	
At 1 January 2022	1,115,901
Provided during the period	455,340
At 30 November 2022	<u>1,571,241</u>

Carrying amount	
At 30 November 2022	<u>1,351,642</u>
At 31 December 2021	<u>941,542</u>

Research & development cost is being written off in equal annual instalments over its estimated economic life of 5 years

Fair value assets	Software licence
	£
Cost	
At 1 January 2022	100,000
Additions	
Disposals	
At 30 November 2022	<u>100,000</u>

Carrying amount	
At 30 November 2022	<u>100,000</u>
At 31 December 2021	<u>100,000</u>

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

The directors assess the fair value of the software licence annually based on their knowledge and understanding of the asset. The directors are satisfied that the value of the software licence acquired recently would not diminish and no amortisation is to be provided.

10 Tangible fixed assets

	Fixtures, fittings, tools and equipment <i>At cost</i> £
Cost or valuation	
At 1 January 2022	90,248
Additions	<u>97,645</u>
At 30 November 2022	<u><u>187,893</u></u>
Depreciation	
At 1 January 2022	41,979
Charge for the period	<u>33,439</u>
At 30 November 2022	<u><u>75,418</u></u>
Carrying amount	
At 30 November 2022	<u><u>112,475</u></u>
At 31 December 2021	<u><u>48,269</u></u>

11 Investment property

	2022 £
Valuation	
At 1 January 2022	456,263
Disposals	<u>(456,263)</u>
At 30 November 2022	<u><u>-</u></u>

12 Investments

	Investments in subsidiary undertakings £	Other investments £	Total £
Cost			
At 1 January 2022	30,645	63,000	93,645
At 30 November 2022	<u><u>30,645</u></u>	<u><u>63,000</u></u>	<u><u>93,645</u></u>

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

The company holds 20% or more of the share capital of the following companies:

Company	Shares held		Capital and reserves	Profit (loss) for the year
	Class	%	£	£
The Employee Resilience Co Ltd	Ordinary	50	18,108	(165,994)
Vivup Financial Services Ltd	Ordinary	100	(750)	1,085

	2022	Restated 2021
	£	£
13 Debtors		
Trade debtors	3,097,640	1,092,011
Other debtors	1,907,336	1,112,739
Prepayments and accrued income	12,022,027	6,584,543
	<u>17,027,003</u>	<u>8,789,293</u>

The trade debtors are secured by a legal charge to the benefit of Akira Financial Ltd

	2022	Restated 2021
	£	£
14 Creditors: amounts falling due within one year		
Loan notes	-	64,536
Obligations under finance lease and hire purchase contracts	3,797,366	3,790,773
Trade creditors	8,355,637	5,637,310
Corporation tax	553,463	-
Other taxes and social security costs	436,697	608,244
Accruals and deferred income	3,366,259	1,497,847
	<u>16,509,422</u>	<u>11,598,710</u>

Obligations under finance lease and hire purchase contracts are secured by a charge over the assets of the company to the benefit of Akira Financial Ltd and Lombard North Central.

There was a legal charge over the assets of the company to the benefit of National Westminster Bank PLC with regard to the company's liabilities to the bank in 2021. The legal charge was satisfied during the period.

	2022	2021
	£	£
15 Creditors: amounts falling due after one year		
Obligations under finance lease and hire purchase contracts	-	2,533

	2022	2021
	£	£
16 Obligations under finance leases and hire purchase contracts		
Amounts payable:		
Within one year	3,797,366	3,790,773
Within two to five years	-	2,533
	<u>3,797,366</u>	<u>3,793,306</u>

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

17 Share capital	Nominal value	2022 Number	2022 £	2021 £
Allotted, called up and fully paid:				
Ordinary shares	£0.0004 each	100,000	40	40
			<u> </u>	<u> </u>
			2022	Restated 2021
			£	£
18 Profit and loss account				
At 1 January			1,279,984	(476,665)
Profit for the period			<u>2,318,104</u>	<u>1,756,649</u>
At 30 November			<u>3,598,088</u>	<u>1,279,984</u>
19 Prior year adjustment			2022	2021
<p>The business recognised the requirement to change its accounting policy for Business to Business (B2B) Sales Income to more closely match the expected utilisation and costs of servicing the contracts over the term of the contract.</p> <p>Previously this income had been recognised solely upon the creation and development of the benefits platform, which were materially complete at the outset of the contract, as this activity grew and the business started to expand into other sectors it became increasingly apparent that the cost of serving the platform would be more dependent upon the ongoing Counselling service, and provision of external providers which are billed on a utilised basis, therefore the decision was made to align these revenues as a monthly contractual revenue, matched against a monthly actual cost, in line with FRS102.</p> <p>This change stems from new information of the changing costs to deliver a contract from the historic approach, rather than any previous recognition error.</p>				
			£	£
The accounts have been restated to incorporate the impact of a change in recognition of contract revenue				
Decrease in accrued income			-	(944,608)
Decrease in accrued cost of sales			<u>-</u>	<u>649,067</u>
			<u>-</u>	<u>(295,541)</u>
Summary of the prior year accounting impact				
Profit & loss account per original accounts			-	2,052,190
Prior year adjustment as above			<u>-</u>	<u>(295,541)</u>
Balance Sheet				
Net asset per original accounts			-	1,575,565
Decrease in accrued income			-	(944,608)
Decrease in accrued cost of sales			<u>-</u>	<u>649,067</u>
Restated net asset			<u>-</u>	<u>1,280,024</u>

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

20 Events after the reporting date

On the 6th December the existing majority shareholder of SME HCI Ltd sold their shareholding in the business and exited as Director in order to recognise their investment and equity growth through building the business.

The resulting "Management Buyout", created a wider pool of senior management that had an equity stake in the business to take the business forward and continue to service clients at the highest level.

21 Change of accounting reference date

The decision to shorten the accounting period to 11 months for 2022, means that we can submit accounts through to HMRC and Companies house a month earlier than previously expected for 2022, adding clarity for our clients and stakeholders, of the business performance ahead of the change in control.

It additionally creates alignment of the balance sheets pre and post Management Buy Out so that we have aligned clarity in the financial and legal management of the business for all internal and external stakeholders.

As the current prior periods are different lengths, the figures may not be directly comparable.

22 Other financial commitments

Total future minimum lease payments under non-cancellable operating leases:

	Land and buildings 2022 £	Land and buildings 2021 £	Other 2022 £	Other 2021 £
Falling due:				
within one year	-	-	73,023	14,652
within two to five years	-	-	103,165	-
	<u>-</u>	<u>-</u>	<u>176,188</u>	<u>14,652</u>

23 Contingent asset

HMRC is currently undergoing a campaign of challenging Research & Development (R&D) claims by companies. As a result of an HMRC enquiry in respect of the R&D tax claim made in the prior year, losses brought forward have been reduced by the value of the previous year's tax claim (£990,831) and no current year R&D claim has been included in the corporation tax calculation. The directors, however, still consider that the basis for the company's R&D claim is strong, and that a decision in the company's favour is likely. In that case, the corporation tax liability would be reduced by £416,257 (As a result of R&D enhancement claims of £990,831 in 2021 and £1.2m in 2022).

SME HCI Limited

**Notes to the Accounts
for the period from 1 January 2022 to 30 November 2022**

24 Related party transactions	2022	2021
	£	£
Directors		
During the year, the director J Y Davis acquired the freehold property for £517,536 from the company. The property sale price was determined by an independent valuer and the transaction was considered at arms length.		
During the year, loans of £225,000 and £75,000 were made to the directors, J Y Davis and R Ellis respectively.		
Both J Y Davis and R H Ellis have resigned as directors of the company on 7 December 2022		
There was no transaction between the company and the remaining directors during the year (2021-NIL)		
Amount due (to)from the related party	817,535	NIL
The loans were repaid in December 2022.		
 S J Berry Consultancy Ltd (SJBC)		
Company is now dissolved		
 The Employee Resilience Co Ltd (TERC)		
D J Bryan, director of the company is also director of The Employee Resilience Co Ltd.		
The company owns 50%of the share capital of The Employee Resilience Co Ltd		
During the year, TERC provided goods/services to the company.		
The total values of such transactions amounted to £1,826,022 (2021-£1,577,313)		
Amount due (to)from related party	NIL	(82,770)
Trade creditor balance	(108,042)	(165,539)
 Benefit Platforms Ltd		
J Y Davis and R H Ellis, who were directors of the company, are also directors and shareholders of Benefit Platforms Ltd. J Y Davis and R H Ellis resigned from the company on 7 December 2022.		
G Michalakidis, a director of the company is also a director of Benefit Platforms Ltd.		
Benefit Platforms Ltd is a dormant company.		
Amount due (to)from related party	NIL	NIL
 A V C Wise Ltd		
J Y Davis, G Michalakidis and R H Ellis were directors of the company and are also directors and shareholders of AVC Wise Ltd.		
Both J Y Davis and R H Ellis have resigned as directors of the company on 7 December 2022		
During the year, the company provided services to/(from) AVC Wise Ltd. The total of such transactions amounted to £26,271/(£53,185) (2021-£127,252/(£16,811))		
Inter-company debtor	926,726	926,726
Trade debtor balance	106,272	104,416

SME HCI Limited

Notes to the Accounts for the period from 1 January 2022 to 30 November 2022

Trade creditor balance	(6,041)	(4,450)
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Vivup Financial Services Ltd

Jane Y Davis, Julia C Facey, David J Bryan and Simon P Moyle were directors of the company and are also directors of Vivup Financial Services Ltd.

Both J Y Davis and J C Facey resigned as directors of the company on 7 December 2022

Vivup Financial Services Ltd is a wholly owned subsidiary of the company.

During the year, the company provided services to/(from) Vivup Financial Services Ltd. The total of such transactions amounted to £15,000/(£NIL) (2021-£65,000/(£16,000))

Inter-company debtor	2,121	26,000
Creditor balance	(15,000)	

Manageplaces Ltd

Georgios Michalakidis, director of the company is also a director and shareholder of Manageplaces Ltd.

During the year, no services were provided by Manageplaces to the company (2021-£398,408).

Inter-company debtor	NIL	NIL
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All the above loans are interest free and repayable on demand.

25 Controlling party

The ultimate controlling party of the company was Jane Y Davis by virtue of her 75% holding in the company at the balance sheet date. The total share capital was acquired by Mercedes Bidco Ltd on 7 December 2022. The ultimate controlling party of the company is Omni Partners LLP by virtue of their ownership of Mercedes Bidco Ltd.

26 Presentation currency

The financial statements are presented in Sterling.

27 Legal form of entity and country of incorporation

SME HCI Limited is a private company limited by shares and incorporated in England.

28 Principal place of business

The address of the company's principal place of business and registered office is:

5 Margaret Road
Romford
Essex
RM2 5SH