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FORSTA WORLDWIDE LTD

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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FORSTA WORLDWIDE LTD

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COMPANY INFORMATION

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<b>Directors</b>	T Andersson K Ferguson
<b>Registered number</b>	04122071
<b>Registered office</b>	Blue Fin Building 110 Southwark Street London SE1 0SU
<b>Independent auditor</b>	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditor 45 Gresham Street London EC2V 7BG
<b>Bankers</b>	DnB NOR Bank ASA London EC4N 8AF

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FORSTA WORLDWIDE LTD

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FORSTA WORLDWIDE LTD

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STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**Principal activities**

The Company is a leading global provider of qualitative and quantitative technology solutions to the market research industry.

The Company's principal activity during the year has been the sale of Horizons, a web-based tool for market research and enterprise feedback management, which incorporates Voice Of the Customer and Voice Of the Employee. Analysts consider the product suite to be one of the world's leaders in its field.

**Business review & outlook**

The Company's key financial and other performance indicators during the year were as follows:

	2022	2021	Change
	£'000	£'000	%
Turnover	20,305	16,919	20.0
Gross profit	12,359	11,396	8.4
Loss after tax	(1,228)	(807)	(52.2)
Shareholders' (deficit)/funds	(842)	803	(204.9)
Average number of employees	70	57	

Effective 26 April 2022, Forsta was acquired by Press Ganey, a leader in patient, member, employee and consumer experience across the healthcare sector. Azalea Parent Holdings LP became the ultimate controlling party of the Group. Both Press Ganey and Azalea are headquartered in the US.

2022 was a consolidation year as the combined new Forsta group completed its integration to provide a single 'Go to Market' strategy. Turnover generated from clients remained flat and total Turnover increased by 20% including charges to other group entities; Gross Profit increased by 8.4% compared to 2021.

The Company made a loss after tax amounting to £1.2m (2021 - loss of £0.8m), resulting in a closing Shareholders' deficit balance of £0.8m. Cash balances amounted to £1.4m at year end (2021 - £1.6m).

**Post balance sheet events**

There have been no post balance sheet events.

**Principal risks and uncertainties**

The Company sells products developed elsewhere in the Group and relies on those products remaining cutting edge in a competitive market. Whilst it retains confidence in its group's resources to maintain its position, it has no control over the actions of its competitors with regard to their products or pricing. Furthermore, the Company relies on its customers being economically active and would suffer in the event of a substantial downturn in the financial markets. There appears to be a growing trend for corporate groups to consolidate onto a single platform with consequent risks and opportunities for the Company.

Although the Company appears to have weathered the immediate risk posed by the COVID pandemic, the longer term effects of the Brexit event and current economic uncertainty on customers' behaviour is yet to be fully reflected. The conflict between Russia and the Ukraine has not had a material impact on operations. At present, there are no perceived direct consequences that would impact the ongoing ability of the Company to continue to provide its contracted services.

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FORSTA WORLDWIDE LTD

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STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

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

*Kyle Ferguson*  
Kyle Ferguson (No. 16, 2023 11:49 GMT)

K Ferguson  
Director

Date: 16/11/23

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FORSTA WORLDWIDE LTD

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DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their report and the financial statements for the year ended 31 December 2022.

**Results and dividends**

The loss for the year, after taxation, amounted to £1,227,802 (2021 - £806,543).

The directors do not recommend the payment of a dividend (2021 - £Nil).

**Directors**

The directors who served during the year were:

T Andersson  
K Ferguson  
S Reed (resigned 31 March 2023)

**Financial risk management**

The Company's operations expose it to financial risks that include the effects of changes in credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Company does not use derivative financial instruments to manage interest or foreign exchange rate costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the Company's finance department.

*Price risk*

The Company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services it purchases in the UK.

*Foreign currency risk*

The Company trades in various currencies with customers, suppliers and related parties, and is therefore subject to foreign exchange exposure in this regard. Exchange rates have experienced volatility during 2021 and into 2022. The Company settles transactions promptly and proactively monitors exchange rate risk and so is able to mitigate foreign exchange risk. During the year, the Company did not enter into any arrangements to hedge this risk.

*Economic risk*

Economic conditions may affect our revenue and harm our business. If economic growth is slowed, customers may delay or reduce technology purchases.

A recent slowdown in global economic growth and rising inflation could adversely impact sales of our products and lengthen sales cycles. The slowdown is mitigated by historically low churn rates and focus on customer experience.

*Credit risk*

The Company makes credit checks on customers where it feels it would be appropriate. This has involved more frequent contact with its customers and a close review of their ability to meet their contractual commitments.

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FORSTA WORLDWIDE LTD

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

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*Liquidity risk*

The Company has provided cash advances against future royalties payable to the Company's intermediate holding company Forsta AS, which has reduced the Company's cash balance. However, the Company has continued to generate cash from its commercial activities and the directors believe it will maintain adequate cash balances to meet its foreseeable needs.

*COVID-19*

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. In the fiscal year of 2021, some instances of COVID-19 infections emerged in various regions worldwide. Measures taken to contain the spread of the COVID-19 virus include quarantining individuals infected with or suspected of having COVID-19, prohibiting travel, encouraging employees of enterprises to work remotely from home and cancelling public activities, among others. The effect of COVID-19 has also resulted in temporary closure of many corporate offices. Since December 2022, there has been a recurrence of COVID-19 outbreaks in China and Hong Kong due to the Delta and Omicron variants. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*The Impact of Russian Military Action in Ukraine*

On 24th February 2022, Russian forces launched significant military action against Ukraine, which has resulted in conflict and disruption in the region. The Company monitored the conflict in Ukraine and complied with all applicable U.S. and European Sanctions. To date, the conflict between Russia and Ukraine has not had a material impact on the Company's business, financial condition, or result of operations. The previous investment in a Russia subsidiary was disposed in the year (see note 15).

**Future Development**

The directors foresee no change in the Company's activities. Through the continued development of our product set, we anticipate that the Company will continue to deliver steady revenue growth over the next few years.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

**Auditor**

The auditor, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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FORSTA WORLDWIDE LTD

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

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

*Kyle Ferguson*  
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Kyle Ferguson (No. 16, 2023 11:49 GMT)

K Ferguson  
Director

Date: 16/11/23

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FORSTA WORLDWIDE LTD

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORSTA WORLDWIDE LTD

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**Opinion**

We have audited the financial statements of Forsta Worldwide Ltd (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORSTA WORLDWIDE LTD (CONTINUED)

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**Other information**

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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## FORSTA WORLDWIDE LTD

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORSTA WORLDWIDE LTD (CONTINUED)

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#### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the Company's legal and regulatory framework through enquiry of management of their understanding of the relevant laws and regulations, the Company's policies and procedures regarding compliance and how they identify, evaluate and rectify any instances of non-compliance. We also drew on our existing understanding of the Company's industry and regulation.

We understand the Company complies with requirements of the framework through:

- The Company making use of the wider Forsta Group's legal department to ensure that operating procedures, manuals, and internal controls are updated as legal and regulatory requirements change; and
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly; and
- The outsourcing of tax compliance to external experts.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Company's ability to conduct business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Company;

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements; and

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

- Performed a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journals and incorrect recognition of revenue.

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

- Substantive audit testing of revenue transactions to underlying documentation; and
- Challenging management regarding the assumptions used in the estimates identified, and comparison to post-year-end data as appropriate; and
- Testing of manual journal entries selected based on specific risk assessments applied based on the client processes and controls surrounding manual journals.

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FORSTA WORLDWIDE LTD

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORSTA WORLDWIDE LTD (CONTINUED)

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

**Use of our report**

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

CLA Evelyn Partners  
CLA Evelyn Partners (Nov 16, 2023 18:59 GMT)

Chetan Mistry (Senior Statutory Auditor)

for and on behalf of  
**CLA Evelyn Partners Limited**

Chartered Accountants  
Statutory Auditor

45 Gresham Street  
London

EC2V 7BG

Date: 16 November 2023

FORSTA WORLDWIDE LTD

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	20,304,716	16,919,330
Cost of sales		(7,945,466)	(5,523,042)
<b>Gross profit</b>		<b>12,359,250</b>	<b>11,396,288</b>
Administrative expenses		(13,722,926)	(12,204,287)
<b>Operating loss</b>	5	<b>(1,363,676)</b>	<b>(807,999)</b>
Income from fixed assets investments		-	91,084
Interest receivable and similar income	10	135,874	-
Interest payable and similar expenses	11	-	(20,300)
<b>Loss before tax</b>		<b>(1,227,802)</b>	<b>(737,215)</b>
Tax on loss	12	-	(69,328)
<b>Loss for the financial year</b>		<b>(1,227,802)</b>	<b>(806,543)</b>

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 15 to 32 form part of these financial statements.

FORSTA WORLDWIDE LTD  
REGISTERED NUMBER:04122071

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	13	16,151	119,056
Tangible assets	14	190,138	33,229
Investments	15	5,817	100,507
		<u>212,106</u>	<u>252,792</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	11,202,435	10,644,726
Cash at bank and in hand		1,388,816	1,552,066
		<u>12,591,251</u>	<u>12,196,792</u>
Creditors: amounts falling due within one year	17	(13,645,811)	(11,340,457)
<b>Net current (liabilities)/assets</b>		<u>(1,054,560)</u>	<u>856,335</u>
<b>Total assets less current liabilities</b>		<u>(842,454)</u>	<u>1,109,127</u>
Creditors: amounts falling due after more than one year	18	-	(306,025)
<b>Net (liabilities)/assets</b>		<u><u>(842,454)</u></u>	<u><u>803,102</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	1	1
Other reserves	20	-	125,482
Profit and loss account	20	(842,455)	677,619
<b>Shareholders' (deficit)/funds</b>		<u><u>(842,454)</u></u>	<u><u>803,102</u></u>

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FORSTA WORLDWIDE LTD  
REGISTERED NUMBER:04122071

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STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 DECEMBER 2022

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The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
Kyle Ferguson (No. 16, 2023 11:49 GMT)

K Ferguson  
Director

Date: 16/11/23

The notes on pages 15 to 32 form part of these financial statements.

FORSTA WORLDWIDE LTD

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	1	125,482	1,484,162	1,609,645
Comprehensive income for the year				
Loss for the year	-	-	(806,543)	(806,543)
At 1 January 2022	1	125,482	677,619	803,102
Comprehensive income for the year				
Loss for the year	-	-	(1,227,802)	(1,227,802)
Contributions by and distributions to owners				
Employees share options granted by parent company	-	724,000	-	724,000
Settlement of employees share options on behalf of parent company in cash	-	-	(1,141,754)	(1,141,754)
Transfer to profit and loss account	-	(849,482)	849,482	-
At 31 December 2022	1	-	(842,455)	(842,454)

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## FORSTA WORLDWIDE LTD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1. General information

Forsta Worldwide Ltd is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 04122071). The registered office address is Blue Fin Building, 110 Southwark Street, London, SE1 0SU.

#### 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 following principal accounting policies have been applied:

##### 2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Azalea TopCo, Inc as at 31 December 2022 and these financial statements may be obtained from 1209 Orange Street, Wilmington, DE 19801.

##### 2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

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FORSTA WORLDWIDE LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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2. Accounting policies (continued)

2.4 Going concern

At 31 December 2022, the Company has cash balances of £1.4m (2021 - £1.6m) and net current liabilities of £1.1m (2021 - net current assets of £0.8m). During the year, the Company has loaned surplus cash to its parent entity and has agreed that future royalty payments due to the parent will be deducted against this loan at the option of the Company. The business operates a licensing model with most licenses subject to renewal after a minimum license period of 12 months. Historically, the Company has benefited from very low client churn and stable margins that have been sustained throughout the period impacted by the pandemic and beyond. The directors have prepared detailed future forecasts that demonstrate that the Company will be able to operate within its available resources and will have sufficient cash reserves to meet its liabilities as they fall due.

As part of the Press Ganey group, the Company can rely on the support of the wider group to provide appropriate support to honour its commitments under license agreements with its customers.

Based on the above and detailed financial forecasts, the directors have concluded that the Company will have sufficient funds to ensure it can meet its financial liabilities as and when they fall due, for a period of at least 12 months from the date of signing these financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'administrative expenses'.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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2. Accounting policies (continued)

2.6 Turnover

The Company's turnover originates from sales of time restricted licences and transactions for utilisation of the Forsta software, and consultancy services in connection with installations, support and training.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover from the sale of time restricted licenses and transactions are recognised by reference to the stage of completion of the contract. The turnover is recognised equally over the length of the contract period, which reflects the delivery of the services to customers. Where a license has only been partially completed at the end of the reporting period, turnover represents the fair value of the service provided to date based on the stage of completion of the contract at the statement of financial position date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and recognised as part of creditors due within one year. Where licences are for periods of multiple years, turnover is recognised as if there were multiple single year contracts with one year's worth of turnover being recognised and deferred in line with the above stated policy.

Turnover from consultancy services are recognised in line with the value of services performed.

2.7 Interest income

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

2.8 Finance costs

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

2.9 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income over its useful economic life.

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FORSTA WORLDWIDE LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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2. Accounting policies (continued)

2.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold premises	- over the length of the lease
Plant, machinery and vehicles	- 33%
Furniture and equipment	- 20% to 33%

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

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

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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2. Accounting policies (continued)

2.12 Impairment

*Non-financial assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

*Financial assets*

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2.13 Pensions

**Defined contribution pension plan**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
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2. Accounting policies (continued)

2.14 Employee benefits

Short-term employee benefits, including holiday pay and time off in lieu, are accrued as services are rendered and recorded at their undiscounted amount.

For defined contribution schemes the amount charged to profit or loss in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

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

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**2. Accounting policies (continued)**

**2.16 Share-based payments**

Certain employees of the Company were granted share options under a Group incentive plan. The Company recognises a corresponding charge to represent the services received from its employees and this is measured in line with the requirements of FRS 102 for equity-settled arrangements. A corresponding increase is recognised in equity as a capital contribution from the parent.

Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Statement of Comprehensive Income.

Where the Company is required to reimburse the parent when the options are exercised by the employees, the amount of reimbursement is accounted for as a distribution by the Company.

**2.17 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

**2.18 Dividends**

Dividend income is recognised when the right to receive payment is established.

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

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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3. Judgements in applying accounting policies (continued)

*Critical judgements in applying the Company's accounting policies*

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

*Recoverability of intercompany receivables*

The recoverability of intercompany balances requires judgement as to whether the future profitability of group entities will generate sufficient capital to repay intercompany debts. Due to the continued strategic expansion of the Company, the directors have concluded that the intercompany receivables are considered recoverable. At 31 December 2022, the amounts owed by group undertakings in the Company was £5,907,027 (2021 - £4,445,409), the aggregate impairment in the Company was £Nil (2021 - £Nil).

4. Turnover

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

	2022 £	2021 £
Sale of licenses	15,709,937	13,850,642
Consultancy and other revenue	4,594,779	3,068,688
	<u>20,304,716</u>	<u>16,919,330</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	11,568,132	6,807,938
Rest of Europe	4,238,141	4,051,486
Rest of the world	4,498,443	6,059,906
	<u>20,304,716</u>	<u>16,919,330</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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5. Operating loss

The operating loss is stated after charging:

	2022	2021
	£	£
Exchange differences	37,935	118,034
Operating lease expense - land and buildings	406,099	562,587
Amortisation of intangible assets	102,905	102,906
Depreciation of tangible fixed assets	34,374	27,247
Profit on disposal of assets	(602)	-
	<u>379,711</u>	<u>810,774</u>

6. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2022	2021
	£	£
Fees payable to the Company's auditor for the audit of the Company's financial statements	59,175	42,700
	<u>59,175</u>	<u>42,700</u>
<b>Fees payable to the Company's auditor and its associates for other services:</b>		
Tax compliance services	12,765	14,310
Tax advisory services	6,582	-
	<u>19,347</u>	<u>14,310</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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7. Employees

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

	2022 £	2021 £
Wages and salaries	7,007,711	6,514,162
Social security costs	792,778	758,120
Cost of defined contribution scheme	140,826	67,031
Share-based payments and other costs	945,089	-
	8,886,404	7,339,313

Certain employees of the Company were granted for the share options under the incentive plan of Compass Group. The options became fully vested when Compass Group was acquired by Press Ganey in April 2022 due to a change in control. Total expense recognised by the Company was £945,089, of which the equity-settled share-based payment expense was £724,000 and the social security cost was £221,089. Immediately following the acquisition and reorganisation, the employees exercised all of their share options for settlement partially in cash and partially in shares in Press Ganey.

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

	2022 No.	2021 No.
Administration and sales	70	57
	70	57

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	820,713	897,776
Company contributions to defined contribution pension schemes	14,858	2,528
	820,713	897,776

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £617,276 (2021 - £654,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,408 (2021 - £1,319).

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NOTES TO THE FINANCIAL STATEMENTS  
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9. Income from investments

	2022 £	2021 £
Dividends received	-	91,084

10. Interest receivable and similar income

	2022 £	2021 £
Bank interest	8,646	-
Other interest receivable	127,228	-
	<u>135,874</u>	<u>-</u>

11. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	-	14,578
Interest	-	5,722
	<u>-</u>	<u>20,300</u>

12. Taxation

	2022 £	2021 £
Current income tax	-	-
<b>Deferred tax</b>		
Deferred tax charge for the year	-	69,328
<b>Total deferred tax</b>	<u>-</u>	<u>69,328</u>
<b>Taxation on profit on ordinary activities</b>	<u>-</u>	<u>69,328</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(1,227,802)	(737,215)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(233,282)	(140,070)
Effects of:		
Expenses not deductible for tax purposes	169,304	39,403
Income not taxable for tax purposes	-	(27,225)
Deferred tax not recognised	63,978	197,220
Total tax charge for the year	-	69,328

Factors that may affect future tax charges

The Company has unused trading losses of £6,439,535 (2021 - £6,045,383) to utilise against future taxable profits.

The Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The full anticipated effect of these changes is reflected in the above deferred tax balances.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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13. Intangible assets

	Goodwill £
<b>Cost</b>	
At 1 January 2022	4,563,890
	<hr/>
At 31 December 2022	4,563,890
	<hr/>
<b>Amortisation</b>	
At 1 January 2022	4,444,834
Charge for the year on owned assets	102,905
	<hr/>
At 31 December 2022	4,547,739
	<hr/>
<b>Net book value</b>	
At 31 December 2022	16,151
	<hr/> <hr/>
<i>At 31 December 2021</i>	<i>119,056</i>
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Tangible fixed assets

	Leasehold premises £	Furniture and equipment £	Plant, machinery and vehicles £	Total £
<b>Cost</b>				
At 1 January 2022	149,220	22,541	226,735	398,496
Additions	156,503	-	34,780	191,283
Disposals	(149,220)	(22,541)	(162,965)	(334,726)
At 31 December 2022	156,503	-	98,550	255,053
<b>Depreciation</b>				
At 1 January 2022	149,220	21,905	194,142	365,267
Charge for the year	11,451	636	22,287	34,374
Disposals	(149,220)	(22,541)	(162,965)	(334,726)
At 31 December 2022	11,451	-	53,464	64,915
<b>Net book value</b>				
At 31 December 2022	145,052	-	45,086	190,138
At 31 December 2021	-	636	32,593	33,229

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Fixed asset investments

	Investments in subsidiary companies £	Other investments £	Total £
<b>Cost</b>			
At 1 January 2022	404,134	4,990	409,124
Additions	827	-	827
Disposals	(404,134)	-	(404,134)
At 31 December 2022	<u>827</u>	<u>4,990</u>	<u>5,817</u>
At 1 January 2022	308,617	-	308,617
Impairment on disposals	(308,617)	-	(308,617)
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>			
At 31 December 2022	<u>827</u>	<u>4,990</u>	<u>5,817</u>
At 31 December 2021	<u>95,517</u>	<u>4,990</u>	<u>100,507</u>

The subsidiary Confrimit LLC was sold to Compass Topco Limited, the then intermediate holding company, on 18 April, 2022, prior to the acquisition of Forsta by Press Ganey. It has since been dissolved.

A new wholly-owned subsidiary, Forsta LLC, was incorporated in Georgia to carry out activities on computer software and services.

The fair value of other investments is not materially different from its historic cost.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

16. Debtors

	2022 £	2021 £
Trade debtors	4,886,748	5,215,763
Amounts owed by group undertakings	5,907,027	4,445,409
Other debtors	220,507	-
Prepayments and accrued income	188,153	983,404
Tax recoverable	-	150
	<u>11,202,435</u>	<u>10,644,726</u>

17. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	172,372	273,594
Amounts owed to group undertakings	2,968,839	311,687
Other taxation and social security	702,124	867,686
Other creditors	-	4,159
Accruals	1,808,090	1,703,865
Deferred income	7,994,386	8,179,466
	<u>13,645,811</u>	<u>11,340,457</u>

Financial liabilities are recognised at their undiscounted amount.

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

	2022 £	2021 £
Amounts owed to group undertakings	-	306,025
	<u>-</u>	<u>306,025</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

19. Share capital

	2022 £	2021 £
<b>Authorised</b>		
100,000 Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1.00	<u>1</u>	<u>1</u>

20. Reserves

**Other reserves**

The other reserves relate to a capital contribution from the parent in respect of share options granted by the parent to employees of the Company. All share options were fully vested and exercised during the year. Other reserves were transferred to profit and loss account accordingly.

**Profit and loss account**

This reserve related to the cumulative profit earned by the Company less amounts distributed to shareholders. Also included within the profit and loss account are payments made by the Company on behalf of its parent company in its settlement of employees share options in cash. This amount does not form a part of the Company's distributable reserves and will become a distribution when the cash received from the parent, as being recorded in liability on the statement of financial position, is repaid.

21. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £156,375 (2021 - £67,031).

22. Commitments under operating leases

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

	2022 £	2021 £
Not later than 1 year	361,760	-
Later than 1 year and not later than 5 years	1,145,573	-
	<u>1,507,333</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**23. Related party transactions**

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

At 31 December 2022, the assets of the Company have been pledged as part of the Credit agreement used for financing arrangements within the group.

**24. Controlling party**

At 31 December 2022, the immediate parent undertaking is Forsta AS, a company registered in Norway.

At 31 December 2022, the ultimate parent undertaking and ultimate controlling party is Azalea Parent Holdings LP, a Delaware Limited Partnership, registered in United States of America, with Azalea GP LLC as its general partner.

The smallest and largest group of undertakings for which group accounts for the year ending 31 December 2022 have been drawn up, is that headed by Azalea TopCo, Inc. The registered office address of Azalea TopCo, Inc. is 1209 Orange Street, Wilmington, DE 19801, United States of America. Copies of the group accounts are available from this address.