

OUTCO BIDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

OUTCO BIDCO LIMITED

COMPANY INFORMATION

Directors	A Petsch J Petsch R Smeaton
Registered number	11635714
Registered office	8th Floor South Reading Bridge House George Street Reading Berkshire RG18LS
Independent auditor	BDO LLP Chartered Accountants and Statutory Auditor 31 Chertsey Street Guildford GU1 4HO

OUTCO BIDCO LIMITED

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OUTCO BIDCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Directors present their Strategic Report for the year ended 30 September 2022

Principal activity

The Company is an intermediate parent company whose primary objective is to provide finance to fellow subsidiaries within the Group headed by OUTCO Holdings Limited. The principal activities of its subsidiary undertakings are the provision of specialist winter risk management services, grounds maintenance services, car park construction, refurbishment and drainage repairs to several key sectors across the UK, in addition to corporate activities including marketing, selling, development and management services to all the other Group's operations.

Review of the business

On 23 November 2020, the Company acquired the entire share capital and 100% of the voting rights of OUTCO Surfacing Holdings Limited. OUTCO Surfacing Holdings Limited directly owns OUTCO Surfacing Group Limited which is an intermediate parent company and directly owns OUTCO Surfacing Limited which provides car park construction, refurbishment and drainage repairs to several key sectors across the UK. This latter company went into Administration on 30th January 2023 due to a number of challenges specific to that business which have no ongoing effect on the remainder of OUTCO Group.

The Company is part of a Group whose ultimate parent company is OUTCO Holdings Limited. A full commentary on the Group's activities and financial performance for the full year ending 30 September 2022 is provided in the Annual Report for OUTCO Holdings Limited.

Financial performance

The Company does not trade, instead its income and expenses are derived from its loans, and Director Service Agreements. The results for the year are contained in the accompanying statement of comprehensive income which shows a loss after tax of £9,506,847 (2021 - £16,622,986).

The loss after tax was driven by an impairment charge amounting to £6,500,815 as referred to in note 4 (2021 - £12,160,413) against the Company's investment in OUTCO Surfacing Holdings Limited following a review of the estimated future profitability of OUTCO Surfacing Limited and future dividends.

Finance charges and interest for the period to 30 September 2022 increased. This increase arose as a result of additional funding obtained to further strengthen the Group's financial position and support the implementation of the Group's growth strategy.

Key performance indicators

The Directors refer to the Company's financial performance for the year ended 30 September 2022 and financial position as at 30 September 2022 in evaluating the Company's performance, which are set out on pages 9 and 10.

OUTCO BIDCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether OUTCO Bidco Limited can continue in operational existence for the foreseeable future.

The Company is part of the OUTCO Holdings Group of companies of which OUTCO Bidco Limited is one of a number of subsidiaries and the going concern assessment is based on the going concern review of the Group. The Group as a whole operates a stable business with a number of customers and suppliers across the entire UK and has considerable financial resources and facilities available.

On 2 December 2022, the OUTCO Group reached an agreement with its senior debt provider to provide the flexibility and headroom to execute its future growth plans. The financial covenants comprise a gross leverage ratio, cash cover test and capital expenditure test. The gross leverage and cash cover test are quarterly. The capital expenditure test is an annual test. In addition, the Group secured an additional £3m of funding from its shareholders via additional loan notes to further strengthen the Group's financial position and support the implementation of the Group's growth strategy.

The Directors have made an assessment and satisfied themselves of the Group's and Company's ability to continue as a going concern. The key elements of this assessment were the Group's and Company's cash flow forecasts and projections, in addition to the Group's considerable cash balance. These forecasts and projections, based on reasonably possible changes in trading performance, show the Group and Company have adequate resources to continue in operational existence for at least twelve months from the date of this report including continued compliance with the Group's financial covenants with significant headroom.

The Directors are therefore of the opinion that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report. In addition, the Directors have received a letter of support from OUTCO Holdings Limited, the ultimate parent company of the Company, confirming it will continue to provide the necessary financial support to the Company for a period of at least twelve months from the date of signing these financial statements, as it may require. The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Principal risks and uncertainties

The Company is a subsidiary of the OUTCO Holdings Limited Group and the key risks below are all managed on a Group wide basis. The Group faces the normal technological, competitive, and economic challenges.

- a. Interest Rate Risk. The Group's interest rate risk is limited due to the fixed rates on its finance leases, shareholder loans and external loans so this risk is therefore primarily associated with its ability to make interest payments. The Group mitigates this risk by preparing cash flow forecasts on a regular basis. The Group does not use any financial instruments to mitigate the risk.
- b. Competition from new entrants. The Group recognises that as its core markets grow this is likely to attract new entrants to the market. To mitigate this risk the Group continues to invest in research and development and its technology to retain its market share.
- c. People. The success of the Group is dependent on the efforts, abilities, experience, and expertise of its people and on recruiting, retaining, motivating and communicating effectively with its employees at all levels of the organisation. Policies and targets are supported by a Board approved governance structure and employees are engaged through staff surveys and regular communications with senior management.

OUTCO BIDCO LIMITED

**STRATEGIC REPORT FOR THE YEAR
ENDED 30 SEPTEMBER 2022 (CONTINUED)**

- d. COVID-19. The Directors continue to monitor for any impact and take all necessary steps to mitigate any negative effects on the Group and its employees
- e. Inflation. The Group recognises the general increase in prices of raw materials arising from the prevailing increasing rate of inflation, within the UK economy. The Group actively seeks to minimise the impact on its results from strong negotiations within its supply chain and discussions with its customers to increase the rates it is able to charge for the services it provides.
- f. Ukraine. The Group does not directly import from Ukraine and the Group has not experienced any supply-chain disruptions as a result of the war, including shortages of materials and any increased transportation delays.

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



R Smeaton
Director

Date: 19th June 2023

OUTCO BIDCO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Directors present their report and the financial statements for the year ended 30 September 2022.

Directors

The Directors who served during the year and up to sign off date were:

A Miller (resigned on 17 April 2023)

A Petsch

J Petsch

R Smeaton (appointed on 6 March 2023)

Future developments

The Directors expect the Company to continue with the same principal activities for the foreseeable future.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have 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.

Results and dividends

The loss for the year, after taxation, amounted to £9,506,847 (2021: loss of £16,622,986). No dividends were declared in the year or after the year end.

OUTCO BIDCO LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

Greenhouse gas emissions, energy consumption and energy efficient action

OUTCO Bidco Limited has not presented its own energy and carbon information as it is a subsidiary undertaking that is included in the Group energy and carbon report for OUTCO Holdings Limited.

Financial instruments

As the Company's activities are linked to the provision of finance to other Group companies, its risks and uncertainties are affected by those of the Group as a whole. These are:

- a. Interest Rate Risk. The Group's interest rate risk is limited due to the fixed rates on its finance leases, shareholder loans and external loans so this risk is therefore primarily associated with its ability to make interest payments. The Group mitigates this risk by preparing cash flow forecasts on a regular basis. The Group does not use any financial instruments to mitigate the risk.
- b. Competition from new entrants. The Group recognises that as its core markets grow this is likely to attract new entrants to the market. To mitigate this risk the Group continues to invest in research and development and its technology to retain its market share.
- c. People. The success of the Group is dependent on the efforts, abilities, experience, and expertise of its senior management and on recruiting, retaining, motivating and communicating effectively with its employees at all levels of the organisation. Policies and targets are supported by a Board approved governance structure and employees are engaged through staff surveys and regular communications with senior management.
- d. COVID-19. The Directors continue to monitor for any impact and take all necessary steps to mitigate any negative effects on the Company and its employees.
- e. Inflation. The Group recognises the general increase in prices of raw materials arising from the prevailing increasing rate of inflation, within the UK economy. The Group actively seeks to minimise the impact on its results from strong negotiations within its supply chain and discussions with its customers to increase the rates it is able to charge for the services it provides.
- f. Ukraine. The Group does not directly import from Ukraine and the Group has not experienced any supply-chain disruptions as a result of the war, including shortages of materials and any increased transportation delays.

Post balance sheet events

On 30th January 2023 OUTCO Surfacing Limited, an indirect subsidiary, entered into Administration.

On 24th March 2023 £1.6m was received from former owners of OUTCO Surfacing Limited in settlement of claims made in relation to the acquisition of the company in the previous financial year.

Auditor

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

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



R Smeaton
Director

Date: 19th June 2023

OUTCO BIDCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OUTCO BIDCO LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 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.

We have audited the financial statements of OUTCO Bidco Limited ("the Company") for the year ended 30 September 2022 which comprise Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 year 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 Directors are responsible for the 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. 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.

OUTCO BIDCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OUTCO BIDCO LIMITED (CONTINUED)

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified 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 the 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.

OUTCO BIDCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OUTCO BIDCO LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. These include, but are not limited to, compliance with the Companies Act 2006, FRS 102 and tax legislation;
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates;
- We had discussions with management regarding known or suspected instances of non-compliance with laws and regulations and fraud;
- We challenged assumptions made by management in their significant accounting policies and estimates;
- We sample tested manual journal entries, in particular any journal entries posted with unusual characteristics; and
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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

Use of our report

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

DocuSigned by:

Mark Hutton

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Mark Hutton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Guildford, UK

Date: 19 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

OUTCO BIDCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £	2021 £
Impairment of investments	4	(6,500,815)	(12,160,413)
Other income	5	282,392	311,376
Administrative expenses		(258,220)	(2,368,116)
Operating loss	6	(6,476,643)	(14,217,153)
Finance charges and interests	9	(3,026,385)	(2,405,833)
Loss before tax		(9,503,028)	(16,622,986)
Tax expense	10	(3,819)	-
Loss for the financial year		(9,506,847)	(16,622,986)

The notes on pages 12 to 22 form part of these financial statements.

OUTCO BIDCO LIMITED
REGISTERED NUMBER: 11635714

BALANCE SHEET
AS AT 30 SEPTEMBER 2022

	Note	2022 £	2021 £
ASSETS			
Non-current assets			
Fixed asset investments	11	33,077,290	40,691,110
Total non-current assets		33,077,290	40,691,110
Current assets			
Debtors: amounts receivable in one year	12	33,736	231,660
Current liabilities			
Creditors: amounts falling due within one year	13	(14,514,733)	(12,915,760)
Net current liabilities		(14,480,997)	(12,684,100)
Total assets less current liabilities		18,596,293	28,007,010
Non-current liabilities			
Creditors: amounts falling due after more than one year	14	(28,330,089)	(28,237,778)
Provision for liabilities	16	(3,819)	-
Total non-current liabilities		(28,333,908)	(28,237,778)
Net (Liabilities) / Assets		(9,737,615)	(230,768)
Capital and reserves			
Share capital	17	17,581,000	17,581,000
Retained earnings	18	(27,318,615)	(17,811,768)
Total Equity		(9,737,615)	(230,768)

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



R Smeaton
Director

Date: 19th June 2023

The notes on pages 12 to 22 form part of these financial statements.

OUTCO BIDCO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Retained earnings	Share capital	Total shareholder's funds
	£	£	£
At 1 October 2021	(17,811,768)	17,581,000	(230,768)
Total comprehensive loss for the year	(9,506,847)	-	(9,506,847)
At 30 September 2022	(27,318,615)	17,581,000	(9,737,615)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Retained earnings	Share capital	Total shareholder's funds
	£	£	£
At 1 October 2020	(1,188,782)	17,581,000	16,392,218
Total comprehensive loss for the year	(16,622,986)		(16,622,986)
At 30 September 2021	(17,811,768)	17,581,000	(230,768)

The notes on pages 12 to 22 form part of these financial statements.

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

1. General information

The Company is a private company limited by share capital and incorporated in England and Wales (registered number 11635714) under the Companies Act. The address of the principal place of business is Thorncroft Manor, Thorncroft Drive, Leatherhead, Surrey, KT22 8JB.

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 judgment in applying the Company's accounting policies (see note 3).

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);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of OUTCO Holdings Limited as at 30 September 2021 and these financial statements may be obtained from their registered office.

2.3 Exemption from preparing consolidated financial statements

The Company is an intermediate parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking, OUTCO Holdings Limited and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

2. Accounting policies (continued)

2.4 Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether OUTCO Bidco Limited can continue in operational existence for the foreseeable future.

The Company is part of the OUTCO Holdings Group of companies of which OUTCO Bidco Limited is one of a number of subsidiaries and the going concern assessment is based on the going concern review of the Group. The Group as a whole operates a stable business with a number of customers and suppliers across the entire UK and has considerable financial resources, both directly and via its shareholders.

On 2 December 2022, the Group reached an agreement with its senior debt provider to provide the flexibility and headroom to execute its future growth plans. The financial covenants comprise a gross leverage ratio, cash cover test and capital expenditure test. The gross leverage and cash cover tests are quarterly. The capital expenditure test is an annual test. In addition, the group secured an additional £3m of funding from its shareholders via additional loan notes to further strengthen the Group's financial position and support the implementation of the Group's growth strategy.

The Directors have made an assessment and satisfied themselves of the Group's and Company's ability to continue as a going concern. The key elements of this assessment were the Group's and Company's cash flow forecasts and projections, in addition to the Group's considerable cash balance. These forecasts and projections, based on reasonably possible changes in trading performance, show the Group and Company have adequate resources to continue in operational existence for at least twelve months from the date of this report including continued compliance with the Group's financial covenants with significant headroom.

The Directors are therefore of the opinion that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report. In addition, the Directors have received a letter of support from OUTCO Holdings Limited, the ultimate parent company of the Company, confirming it will continue to provide the necessary financial support to the Company for a period of at least twelve months from the date of signing these financial statements, as it may require. The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

2.5 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.

2.6 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 Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

2. Accounting policies (continued)

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. 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 balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.8 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the statement of comprehensive income.

Management assesses at each balance sheet date whether there is objective evidence that the investment in subsidiaries is impaired and recognises an impairment charge when such evidence exists.

2.9 Financial instruments

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

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

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

2. Accounting policies (continued)

2.9 Financial instruments (continued)

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

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

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

2.10 Dividends

Equity dividends are recognised when they become legally payable or receivable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments have had the most significant effect on amounts recognised in the financial statements.

Bad debt provision

The Company establishes provisions based on reasonable estimates. The Company makes specific provisions when it is probable that complete recovery of amounts due from Group undertaking will not be made. Reviews of provisions held against amounts due from Group undertaking are carried out when observable data indicates that there has been a measurable decrease in the estimated future profitability of a Group undertaking that indicates a provision maybe required.

Fixed asset investments

The most critical estimates and assumptions for fixed asset investments relate to the determination of its carrying value and the measurement of an impairment loss. In determining the carrying value of the investment the Company will consider all observable data which could indicate that there has been a measurable decrease in the estimated future profitability from the fixed asset investment via dividends since initial recognition of the asset. Any impairment loss is the difference between the asset's carrying amount and the best estimate future profitability.

4. Impairment of investments

	2022 £	2021 £
Impairment of investment (refer note 11)	6,500,815	12,160,413

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5. Other income

	2022 £	2021 £
Recharge of management services to subsidiary undertakings	282,392	311,376

6. Operating loss

	2022 £	2021 £
Operating loss is stated after charging		
Provisions on receivables	-	2,106,858

The audit fee of £6,620 (2021: £6,018) is borne by OUTCO Limited.

7. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	226,000	249,638
Social security costs	28,006	30,797
Pension costs- defined contribution plans	2,714	2,634
Total	256,720	283,069

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

	2022	2021
Directors	3	3

8. Directors' remuneration

All Directors' remuneration was paid by a fellow group undertaking and was recharged, as follows:

	2022 Year ended £	2021 Year ended £
Aggregate emoluments	35,000	65,208
Total	35,000	65,208

Emoluments of the highest paid director were £35,000 (2021: £65,208).

OUTCO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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9. Finance charges and interest

	2022 £	2021 £
Bank charges	24,030	3,658
Arrangement fees	296,216	275,863
Redemption premium	315,429	172,200
Monitoring and administration fees	12,637	24,597
Loan note interest payable	1,277,977	1,098,635
Senior debt interest payable	1,100,096	830,880
Total finance costs	3,026,385	2,405,833

10. Taxation

	2022 £	2021 £
Deferred tax :		
Origination and reversal of timing differences	132,286	-
Adjustment in respect of prior periods	(128,467)	-
Total deferred tax	3,819	-
Tax on loss on ordinary activities	3,819	-

Factors affecting tax charge for the year/period

The tax assessed for the period is at the standard rate of corporation tax in the UK of 19% (2021 - 19%).

	2022 £	2021 £
Loss on ordinary activities before tax	(9,503,028)	(16,622,986)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,805,575)	(3,158,367)
Tax effects of:		
Expenses / (income) not deductible for tax purposes	1,252,602	35,041
Impairment of investment & receivables	-	2,710,782
Group relief surrendered	149,980	412,544
Adjustment in respect of prior periods	(128,467)	-
Deferred tax not recognised	535,279	-
Tax expense	3,819	-

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main corporation tax rate will increase to 25%. This new law was substantively enacted on 24 May 2021 and therefore its effects are reflected in these financial statements.

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

11. Fixed asset investments

The Company assesses at each balance sheet date whether there is objective evidence that the investment in subsidiaries is impaired and recognises an impairment charge when such evidence exists.

The value of investment was tested for impairment during the current financial year by means of comparing the recoverable amount with the carrying value.

The carrying value of the investment in OUTCO Surfacing Holdings Limited at 30 September 2022 was £7,751,368. Following the completion of the Company's acquisition of OUTCO Surfacing Holdings Limited, management has reassessed the expected further business performance of OUTCO Surfacing Holdings Limited and its subsidiaries as a result of ongoing underperformance of the business reflecting an impairment indicators. Following this reassessment, projected future profitability are lower and this has led to an impairment charge with respect to the Company's investment in OUTCO Surfacing Holdings Limited which resulted in an impairment loss of £6,500,815 (2021: £12,160,413).

Investment in subsidiaries	£
Carrying value	
At 1 October 2021	40,691,110
Impairment charge for the year	(6,500,815)
Adjustment of contingent consideration	(1,113,005)
At 30 September 2022	33,077,290

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by group	Principal activity
OUTCO Trading UK Limited	UK	Ordinary	100%	Holding company
OUTCO Limited *	UK	Ordinary	100%	Winter services, grounds maintenance and landscaping
OUTCO UK LLP *	UK	Ordinary	100%	Winter services, grounds maintenance and landscaping
Gunnar Limited *	UK	Ordinary	100%	Holding company
Fourtuna Group Limited *	UK	Ordinary	100%	Holding company
K&P Management Limited *	UK	Ordinary	100%	Dormant
OUTCO Surfacing Holdings Limited	UK	Ordinary	100%	Holding company
OUTCO Surfacing Group Limited *	UK	Ordinary	100%	Holding company
OUTCO Surfacing Limited *	UK	Ordinary	100%	Construction and repairs of car parks and other similar infrastructure

* Indirect investment

The registered office for all subsidiary undertakings is the same as the parent, listed on the Company information page.

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

12. Debtors: amounts receivable due within one year

	2022 £	2021 £
Current:		
Trade receivables	32,736	227,468
Prepayments and other debtors	1,000	4,192
	33,736	231,660

13. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank borrowings (net of issuance costs)	1,611,674	1,626,183
Loan notes	-	-
Amounts due to Group undertakings	10,643,825	9,051,790
Other creditors	-	1,113,005
Accruals	2,259,234	1,124,782
	14,514,733	12,915,760

Amounts due to Group undertakings are interest free and repayable on demand.

14. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Bank borrowings (net of issuance costs)	13,689,244	15,162,362
Loan notes (net of issuance costs)	14,640,845	13,075,416
	28,330,089	28,237,778

15. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Bank borrowings (net of issuance costs)		
Amounts falling due within 1 year	1,611,674	1,626,183
Amounts falling due 1-2 years	1,626,184	1,611,675
Amounts falling due 2-5 years	12,063,060	13,550,687
Total bank borrowings	15,300,918	16,788,545

	2022 £	2021 £
Loan notes (net of issuance costs)		
Amounts falling due within 1 year	-	-
Amounts falling due 1-2 years	-	-
Amounts falling due 2-5 years	-	-
Amounts falling due after more than 5 years	14,640,845	13,075,416
Total loan notes	14,640,845	13,075,416

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

15. Loans (continued)

£11,292,665 of the Secured Investor "A" Loan Notes bear interest of 8% per annum which is accrued half-yearly. The year-end balance on these Loan Notes is £7,292,665 (2021 - £7,292,665). The "A" loan Notes repayment term is June 2027.

£4,694,000 of Secured Investor "B" Loan Notes are redeemable at par in 2027 and bear interest at 12% per annum which is accrued half-yearly. The terms of the "B" Loan Notes were amended on 23 November 2020 and then further amended together with additional amounts issued of £1,250,00 on 14 October 2021. In addition, a Redemption Premium is also due on settlement of the Secured Investor "B" Notes. The value of the redemption premium ranges from 15%-35% depending on the timing of the redemption of the loan principal. The Directors have assessed that a 25% redemption premium is most likely. The premium is being built up over the term of the loan, included within the initial carrying value and charged to the Statement of Comprehensive Income as part of the interest charge calculated using the effective interest method. The year-end balance on these Loan Notes is £4,694,000 (2021 - £3,444,000). In the year the Redemption Premium of £315,429 (2021 - £172,200) accrued and charged to profit or loss. The Redemption Premium balance at year end was £817,679 (2021 - £502,250).

Issue costs of £870,483 were incurred in respect of the "A" and "B" Investor Loan Notes and these costs have been deducted from the initial carrying value and will be charged to the Statement of Comprehensive Income as part of the interest charge calculated using the effective interest. In the year £174,096 (2021 - £174,096) had amortized to profit or loss. The balance at year end on these debt issue costs amounted to £188,606 (2021 - £362,702).

The financing arrangement with Investec was entered into on 22 November 2020 and includes Facility A1 and Facility B1 loans. Facility A1 amounts to £9,612,000 is repayable quarterly over a period of 5 years, and carries a variable interest. Facility B1 amounts to £9,612,000 and is a 6 year bullet loan. Since the year end, Facility B1 has been amortized by £3,325,000 as the Group looks to reduce the leverage exposure and mitigate the interest cost burden associated with its debt.

In addition to Facilities A1 and B1 a Revolving Credit Facility ("RCF") of £3m was also provided to fund the working capital requirements of exceptional winter conditions. As at 30 September 2022 the "RCF" facility was undrawn and remains undrawn since the year end to the date of signing of these accounts.

The Senior Debt facilities are subject to quarterly and annual covenant tests and on 1 December 2022 an agreement was reached with Investec to reset the Group's covenants in order to provide the flexibility and headroom to execute the Group's future growth plans. In addition £3m of shareholder funds were secured via additional "A" Loan Notes and a new class of "AA" Loan Notes. The financial covenants comprise a gross leverage ratio, cash cover test and capital expenditure test. The gross leverage and cash cover tests are quarterly. The capital expenditure test is an annual test.

£1,836,501 of "D" Loan Notes were issued on 23 November 2020 and bear an interest of £4% which accrues daily, is compounded annually, and repayable in full at the discretion of the Board.

Security

The Senior Debt facilities and Loan Notes are secured against the assets of the Group.

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

16. Provisions for liabilities'

Deferred tax provision:	£	
At 1 October 2021	-	
Charged to profit or loss	3819	
At 30 September 2022	3819	
	2022	2021
	£	£
Deferred tax liabilities:		
Other timing differences	3,819	-
Total deferred tax	3,819	-

17. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid:		
17,581,000 (2021: 17,581,000) ordinary shares of £1 each	17,581,000	17,581,000

18. Reserves

Profit and loss account

The profit and loss account represent the cumulative profits available for distribution.

19. Related party transactions

The Company is exempt under FRS 102 section 33.1A from disclosing related party transactions with entities that are part of the Group, where 100% of the voting rights are controlled within the Group. Balances due and from members of the Group are disclosed in notes 12 and 13.

Total Capital Partners Cedar Investment LP, a shareholder in the Company, provided loans to the Group, the balance owing at 30 September 2022 being £11,986,665 (2021 - £10,736,665). These loan notes are included within creditors. Interest totalling £2,249,565 (2021 - £1,248,652) has accrued in respect of these loans. In addition, a finance monitoring fee totalling to £81,325 (2021 - £86,600) was incurred during the year.

Key management are considered to be the Directors. Details of their remuneration are given in note 8.

20. Guarantee

Following the acquisition of the NMC Surfacing Group by OUTCO Bidco Limited in November 2020 the Company became a guarantor on the debt used to finance the transaction, with the lender having security over the assets of the Company.

OUTCO BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

21. Controlling party

The Company is wholly owned by OUTCO Holdings Limited. The parent of both the smallest and largest group for which group accounts including the Company are prepared is OUTCO Holdings Limited. Copies of the accounts can be obtained from their registered office.

There is no single ultimate controlling party.

22. Post balance sheet events

On 30th January 2023 OUTCO Surfacing Limited, an indirect subsidiary, entered into Administration.

On 24th March 2023 £1.6m was received from former owners of OUTCO Surfacing Limited in settlement of claims made in relation to the acquisition of the company in the previous financial year.