The TaxAssist Direct Group Limited

ANNUAL SHAREHOLDER REPORT

YEAR ENDED 31 DECEMBER 2023

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TaxAssist Group

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GROUP CHIEF EXECUTIVE OFFICER REPORT

To Our Shareholders

My reports for 2021 and 2022 talked about these years being transitional with some significant changes in Group Board structures. They also talked about two key priorities – dealing with the ongoing challenges and losses in some of our international businesses and redefining our group strategy. I am pleased to report significant progress with these priorities, as you will read throughout this Report.

The first of these has now been largely dealt with. As set out in last year's report we ceased franchise operations in the US in September 2022, reverting to a simpler licencing approach. This has significantly reduced our losses in our US business, as well as protecting the group against any possible future risks connected with trading in the US market. We made further changes in March 2023 when we sold a majority stake in our Australian business to its Managing Director, Mandy Sigaloff and in the process removed all of our responsibilities for the running and funding of the business. Neither of these decisions were easy, but they have stemmed the tide of losses in our international businesses and freed up significant amounts of time and resource to focus on our second stated priority – the establishment of a new Group Strategy.

We launched our new 5-year Strategic Plan in January 2023. This is a hugely ambitious document, proposing a fundamental shift in the scale and profitability of the group. It reflects a different vision for growth with a focus on three critical objectives – the further development of our franchise networks, the building of complementary businesses and the creation of a direct provisioning model.

Our franchise networks are at the centre of this strategy. We have been franchising for almost 30 years and our franchise operations will always be at the heart of everything we do. As set out in this report we have seen strong profitability in both of our franchising businesses in 2023, with double-digit growth in their underlying fees. We have also detailed our recent investment in our updated branding. This is a real milestone for the Group, modernising our look and helping us to better represent the ever growing range of services franchisees can offer their clients.

We believe there is still huge scope for further growth and development of our franchise businesses and this will continue to be our main focus.

The three complementary businesses introduced over the past four years – payroll services, tax consulting and financial services - have again produced mixed results. Financial Services, in particular, has been challenging, as set out in this Report. All of them are in relatively early stages of development and we know that we still have more work to do, but we are now seeing good progress. We have learnt from our experiences to date and believe we have the right structures and plans in place to ensure we realise the potential we know exists in the market. We have to remain competitive and keep broadening the range of services we can offer to our current and future clients. Building these businesses means we can work alongside franchisees to do this.

We have made good progress with our direct provisioning plans over the past year. Our first group business providing direct services was set up in London in early 2020. This was unfortunately timed given the impact of Covid, but it has helped us develop a better understanding of how we

can selectively acquire resales and create sizeable, profitable franchisor owned TaxAssist practices. As we scale this model we can start to improve processes, develop centres of excellence, share resources and look at new client services. Over time we expect to see this result in improved margins and increased shareholder value. It will also help us to better support our franchise networks through the sharing of systems and processes. It is far easier to develop and innovate in a way that benefits all when you can trial ideas in existing TaxAssist practices.

As you will read in this report, we have taken some important first steps through the successful completion of our first significant acquisition in May 2024.

When we published our new Strategic Plan, we referred to forecast group profitability of £5m by the end of the 5 year period. This is a challenging target given our historical results, but I commented last year that I felt this was achievable. 12 months on from that report I still believe we can reach this figure. Our profitability in 2023 has improved, albeit there are still parts of the group that are not performing as they should. Our forecast results for 2024 show a significant step up in profitability, with an increase of over 100% on the previous year. We expect to see strong performance in 2025 and beyond.

We are not underestimating the challenges ahead, but The Group Board and all of the team at the Support Centre and within our group companies are fully committed to deliver our new plans. We continue to believe that our very deliberate change of direction will have a significant impact on group profitability and share value over the coming years, as well as providing huge opportunity for our networks.

We look forward to updating you all on how we are progressing with our plans at our third all shareholder meeting, details of which will be announced shortly.

Thank you.



Daren Moore FCCA
Group Chief Executive Officer

September 2024

GROUP TRADING SUMMARY

TaxAssist Direct Limited (UK Network)

Financial Overview

	TaxAssist Direct Limited	£
2023	**Reported EBITDA**	**1,121,375**
2022	Reported EBITDA	1,097,184
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	828,374
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	1,379,839

Business Overview

The results for 2023 show that our core UK franchise network continues to perform well. Profitability for the year was up on the previous year, a trend we have seen continuing through 2024.

Network net fee income for the year increased by over 10% (2022: 6%), reaching almost £59million by the end of December. Part of this can be attributed to inflationary pressures, but it also reflects underlying growth in franchise territories, number of franchisees, client numbers and average fees.

Turnover for the company increased by 4.4% year on year. Management service fees were up by 7.4%, reflecting the strong growth in network fee income, but franchise fees were significantly down. The franchise recruitment market has been extremely challenging in a post Covid world, something that almost all large franchise networks have experienced. We have responded to this in 2024, with an updated franchise proposition and revised pricing structures.

Costs for the year were broadly in line with previous years, with small inflationary increases.

Detailed comment

The company recruited 4 new franchisees in the year (1 new and 3 resales). The total number of franchised territories in the UK at the end of 2023 was 250 (2022: 243). The total number of outlets has grown to 411 (2022: 406), of which 241 are shops. 61 offices and 109 virtual offices.

Income from BACA contributions from franchisees for 2023 was £788k, slightly up from £770k in the previous year. Inbound lead volumes were broadly comparable with the previous year (11,922 qualified leads in 2022 and 11,833 qualified leads, after cancellations in 2023). We recognise how important lead generation is for our networks and we continue to invest to develop our brand and maximise the impact of our marketing spend.

This investment included the launch of our updated branding in 2024. This is covered in more detail in the post year end events section of this report, but much of the work supporting this launch was completed in 2023. Costs for the year included £76k on rebranding, which have been excluded from the profit figures noted above to ensure consistency of reporting. We have incurred a further £74k of costs in 2024 as part of this ongoing project.

Finally, 2023 also saw our largest conference ever, held at Celtic Manor in early May. This was an incredible event and we hope that those who attended enjoyed getting together and celebrating all that makes TaxAssist such a fantastic network. The cost of the event was partly subsidised by the company, with a net contribution of around £70k. This is reflected in the profit numbers above. Whilst this is a significant cost, we are confident that all shareholders would agree that we should continue to invest in such an important bi-annual event.

Projections for 2024 (TaxAssist Direct Limited)

The numbers above suggest that we will see a significant uplift in profitability for the company in 2024. If the projected figures are achieved, this will be the highest level of profits ever achieved by TaxAssist Direct Limited.

Part of the reason for this performance is the change made to the allocation of group costs, as covered elsewhere in this report, but it also reflects strong growth across all relevant metrics for the UK network.

We have made a number of changes to our new and resale franchisee recruitment processes in 2024. The franchise market is tough at the moment, but our newly structured recruitment team has worked hard to get our revised messaging to market. We are already seeing the impact of this with strong Discovery Day attendance numbers and better franchisee sign up rates. We expect to see this continue through 2025.

Ireland – TaxAssist Direct Ireland Limited and TaxAssist Direct Ireland Services Limited

Financial Overview

	TaxAssist Direct Ireland Limited and TaxAssist Direct Ireland Services Limited	£
2023	**Reported EBITDA**	**168,024**
2022	Reported EBITDA	87,748
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	53,239
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	179,944

Business Overview

Our Group presence in Ireland began in 2009 when we awarded a Master Franchise Licence to an existing practice. In 2017 the Master Franchisee retired and the rights and business were acquired by Group, trading through TaxAssist Direct Ireland Limited. The company is operated by a local Managing Director, Alison McGinley and is supported by our Irish Support Centre, who in turn are supported by our Group Support Team. Group holds 79% of the share capital in the company, with Alison holding 21%.

The numbers above also reflect the results of TaxAssist Direct Ireland Services Limited, a new company formed in early 2023 to offer tax consulting services to the Irish network, mirroring the approach taken in the UK.

Detailed comments

2023 was an excellent year for our businesses in Ireland. We saw a significant increase in profitability as a result of strong network sales performance – net fee income increased by 22% in the year to 7.47 million euros and Management Service Fees increased by 16% to 478k euros. This is a hugely impressive performance, particularly when you take into account the fact that there was no increase in the number of franchisees in the network through the year.

The new tax consulting business had a slow start, but this was expected as it will take time to demonstrate service opportunities to franchisees and their clients. It generated sales of around 15k euros in the year and around 9k euros of profit contribution.

Projections for 2024 (Ireland and Ireland Services)

We are projecting a further increase in profitability for our combined Ireland businesses in 2024. The Irish network continues to grow at an impressive rate, with net fee income up by 17% year on year by the end of August. We are also seeing an uplift in demand for tax consultancy services, with income for 2024 projected to increase to 30k euros.

TaxAssist Direct Services Limited

Financial Overview

	TaxAssist Direct Services Limited	£
2023	**Reported EBITDA**	**123,379**
2022	Reported EBITDA	17,599
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	9,781
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	(7,138)

Business Overview

TaxAssist Direct Services Limited was set up in 2019 to operate our centralised payroll insourcing and tax consulting businesses. On 1 January 2023 the tax consulting business was transferred to a new company, TaxAssist Direct Tax Consulting Limited. This reflected the need to separate out tax work to help manage risk, PI cover and engagement terms more effectively.

The transfer of the business meant that all new tax engagements from 1 January 2023 onwards were looked after by the new company. However, we did not move existing engagements across. This means that the numbers above include £51k of profit relating to tax consulting work. All direct and administration costs relating to tax consulting were borne by the new company. As a result of these changes, the 2023 reported numbers for this company and the new tax consulting business should be looked at together, as individual company performance is misleading.

The underlying performance of the payroll services provided by the company is strong, with sales increasing to £288k from £229k in 2023.

2023 also saw a change of leadership in the business, with Andy Gibbs taking on the role of looking after the business in the second half of the year. Andy has subsequently been appointed as a Director of the company.

Detailed comment

The 2023 EBITDA numbers above exclude an exceptional cost of £30k reflected in the accounts submitted for the company. This relates to a provision for two tax consulting related matters where there was engagement in 2022 by this company.

The first part of the provision is for £10k, reflecting a possible PI claim in respect of a Research and Development engagement. The provision has been set at the level of excess in our policy.

The second part of the provision (£20k) relates to an ongoing escalation of HMRC enquiries into Research and Development claims. A small number of previously submitted claims are in enquiry and it is likely that the company will need to reimburse some of the fees charged.

Having reviewed the position, the Group Board is satisfied that these enquiries to do not reflect any underlying weaknesses in processes and controls. All advisory businesses operating in this tax consulting space are experiencing similar levels of HMRC enquiry and challenge.

Projections for 2024 (Payroll Services)

The numbers for 2024 above relate entirely to payroll services. They reflect good ongoing growth in terms of franchisee numbers, underlying payrolls and fee income, with the latter projected at £335k (2023: £288k sales).

The level of EBITDA projected (a small loss) looks disappointing, but it should be noted that this is a prudent figure, and we expect to be profitable based on company performance to date. It should also be noted that the figures reflect the new group cost allocation/recharge structures put in place in 2024. To demonstrate the impact this has had, in 2023 the payroll business was charged with a management fee of £12k by TAD Ltd in respect of its share of central/fixed costs. In 2024 the comparable figure charged by Group (based on turnover and headcount) is expected to be in the region of £81k.

Looking ahead to the latter part of the year, we are still planning on trialling a ‘direct to market’ service where we look to take on larger payrolls. These will be sourced from out of territory opportunities or via franchisees where they request this service.

The Group Board continues to support our payroll business and the valuable service it provides to the 60+ franchisees who now use it to help support their clients’ needs.

TaxAssist Direct Tax Consulting Limited

Financial Overview

	TaxAssist Direct Tax Consulting Limited	£
2023	**Reported EBITDA**	**(155,282)**
2022	Reported EBITDA	N/A
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	26,677
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	7,869

Business Overview

TaxAssist Direct Tax Consulting Limited was formed in late 2022. The tax consulting business was transferred from TaxAssist Direct Services Limited w.e.f. 1 January 2023. The company took on all new tax consulting engagements from that time.

All tax related staff were transferred into the new company and all direct costs re-allocated.

Any ongoing tax engagements remained in TaxAssist Direct Services Limited, meaning that that company has generated sales with no matching costs for part of 2023. The profits of that company for 2023 included £51k relating to tax services, so the numbers above need to be reviewed with that in mind.

This still meant that Group incurred a loss in respect of tax consulting services in 2023. This is disappointing but is a reflection of issues that have been set out previously. In its efforts to support franchisees, the company took on too many engagements which created significant pressure for the team. This in turn resulted in delays in responses to franchisees and their clients, poor commercial decisions on fees and services and ultimately the loss of key team members.

These challenges were recognised in the second half of 2023 with a number of changes made in response, including the appointment of Andy Gibbs as Head of the tax consulting business. Andy has subsequently been appointed as a Director of the company.

Projections for 2024 (Tax Consulting)

The EBITDA projections above show a significantly improved position for the company. This is a result of the new leadership structure now in place and a focus on systems, processes and a more deliverable range of services.

As noted elsewhere these numbers also include recharges under our new group cost allocation/recharge structures. The 2024 figures include group costs of around £57k that have not historically been charged.

The company has been focusing on stabilisation for much of 2024, dealing with residual issues from previous years but is now looking ahead with a clear strategy for 2025 and beyond. It continues to look to recruit new team members to enable it to broaden the services it provides and to respond to the tax challenges many believe will be coming in the budget later this year.

TaxAssist Direct Financial Services Limited

Financial Overview

	TaxAssist Direct Financial Services Limited	£
2023	**Reported EBITDA**	**(179,011)**
2022	Reported EBITDA	(307,846)
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	(139,116)
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	(144,110)

Business Overview

The company was formed in 2021 to help develop a central financial services business to support the UK network. The Group holds 80% of the ordinary share capital of the company, with 15% held by Matthew Tyerman and 5% by Mike and Penny Melling. Both Matthew and Mike/Penny were early-stage investors into the business based on a £1m valuation.

As noted above, the company has continued to generate losses through 2023. We expected to have to fund early-stage losses whilst the business developed and viewed this as a necessary investment, but we are disappointed that these losses have continued.

In our previous Annual Shareholders Report we explained that we were implementing a strategy to improve performance. This was reiterated at our Shareholders Meeting earlier this year. We cannot continue to support ongoing losses and need to deliver based on the original brief given to the company's leadership team – to provide a reliable, responsive service that is tailored to the needs of the network. We have not yet achieved this and recognise that far more work is needed.

Detailed comments

As explained last year we have changed the leadership structure for the financial services business. Mike Melling took over responsibility for the company in August 2023 with a mandate to help review, improve and oversee all financial services operations. This review has led to a number of key changes.

Our previous Financial Services Managing Director, Matthew Tyerman, left the business in early 2024. He remains a TaxAssist franchisee. Matthew had been a critical part of the team from day one, but we all agreed that the needs of the business, the lack of financial performance and poor franchisee/client delivery meant that we had to look at new leadership. Matthew accepted that balancing his role as a franchisee whilst supporting a growing financial services business was becoming impossible. As noted elsewhere in the report there was a one-off severance cost of £76k incurred as a result of Matthew's departure relating to accrued salary and contractual notice period entitlement.

We appointed our new Financial Services Managing Director, Georgina Foster, in June 2024. Georgina began working for us as a consultant in late 2023 and brings a huge amount of sector experience to the company. Some of you will have met Georgina at the Shareholders Meeting and we are working with her to make the changes necessary to improve the performance of the business.

Projections for 2024 (Financial Services)

The company has continued to generate losses through the first half of 2024, but we are forecasting a broadly break-even position for the rest of the year. This is largely a reflection of the changes we are making post review, with a particular focus on improving and building our network of advisors and their administration/support team.

Looking ahead we expect to see further improvement in profitability as we recruit new advisors to the team. We also expect to see the launch of a new digital platform to support smaller investment/pension/savings needs – more news on this to follow.

Whilst we are disappointed with results to date, we can clearly see the potential in this business and the positive impact it can have for franchisees and their clients. We have experienced a number of setbacks along the way and have certainly learnt from this, but we believe we now have the right leadership and strategy to take the business forward.

TaxAssist Direct London Limited and TaxAssist Accountants (Hammersmith) Limited

Financial Overview

	TaxAssist Direct London Limited and TaxAssist Accountants (Hammersmith) Limited	£
2023	**Reported EBITDA**	**(141,085)**
2022	Reported EBITDA	(172,210)
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	(95,027)
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	(151,764)

Business Overview

The company was established in 2020 to operate a number of central London territories under standard Franchise Agreements. Effectively, it is a joint venture with a franchisee, Vince Dalaimo, who previously held the territory rights. Gary Bugdale was appointed as Managing Director to run the company.

The holders of the share capital of the company are The TaxAssist Direct Group Limited (78%), Vince Dalaimo (20%) and Gary Bugdale (2%). Following the passing of a Special Resolution in early 2023 Gary also holds 11 Growth Shares (which would represent 9.9% of total issued share capital). However, given the hurdle price set at the time of £200k, we do not believe these shares have any value attributed to them as yet.

The company opened its first shop in Farringdon in early 2020. This coincided with the pandemic which had a significant impact on the Central London market, lead generation and client acquisition. Our original plans were to open a number of shop locations in the territories over a 5-year period, however we needed to scale back our plans in light of the pandemic and its long term impact on the central London market.

The numbers above reflect the challenges in running a central London model. Sales increased to £216k in 2023 from £138k (an improvement of over 56%) but the company has a significant fixed cost base, largely around people and premises. We originally planned on running multiple locations to spread parts of this fixed cost base more widely, but the changes we were forced to make to our expansion plans post pandemic have slowed this expansion and therefore delayed the impact this will have.

As set out in previous reports, we completed on the acquisition of a neighbouring territory in early August 2023, when we acquired the fee bank and territory rights for Hammersmith and Enfield Lock. This was done through a new subsidiary company, TaxAssist Accountants (Hammersmith) Limited. TaxAssist Direct London holds 80% of the share capital of this company, with Sarah Ferguson retaining a 20% stake as an investor in the business. We are in the early stages of developing this new company, but it has already started to contribute, generating a small profit of around £3k in 2023, reflected in the numbers above.

Projections for 2024 (London)

As above, we are projecting ongoing losses in the combined London business (now including the new Hammersmith company). These losses are reducing as fee income builds, but we do not expect to be at a break-even position until 2025. We are forecasting strong growth in sales, with combined income projected at around £400k in 2024 (2023 total sales were £238k).

The 2024 projections include an investment of around £30k in the second shop location for the new London business, which is in Fulham. We expect this to fully open in October and for it to create an acceleration in leads and client acquisition in the Fulham/Hammersmith area.

The Group Board remains committed to the London project and continues to see the long-term potential in this market. There has been a significant investment in the business to date through external borrowing and group support, however this is largely offset by the underlying value of the fee bank that is quickly building.

TaxAssist Direct International Limited (Canada Master Franchise)

Financial Overview

	TaxAssist Direct International Limited	£
2023	**Reported EBITDA**	**21,548**
2022	Reported EBITDA	110,585
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	15,840
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	21,637

Business Overview

The Group licences rights to our Canadian Master Franchise through a stand-alone company, TaxAssist Direct International Limited. We commenced operations in Canada in 2020, initially awarding rights to one of our outsourcing partners, QX Global Group. In late 2022 QX sold their franchise rights to Moe Farhat, one of their franchisees.

Moe and his team are working to develop the TaxAssist brand in Canada and are making good progress. Group's role is limited to licencing the use of the brand and its intellectual property and as such provides a relatively low level of support to the Canadian Master franchise business.

The results for 2022 were distorted by adjustments relating to the sale of the business by QX, with 2023 figures solely being based on fees receivable under the new Master Franchise Agreement in place.

Projections for 2024

We are currently projecting very similar profitability levels in 2024. However, these figures look prudent given the year-to-date performance. The Canadian business is expanding rapidly and we expect to see income levels and profitability to start to build through the remainder of 2024 and beyond.

USA – TaxAssist Direct USA Inc

Financial Overview

	TaxAssist Direct USA Inc	£
2023	**Reported EBITDA**	**(61,516)**
2022	Reported EBITDA	(445,852)
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	(7,005)
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	(4,854)

Business Overview

In March 2020 the Group formed TaxAssist Direct USA Inc. The company was set up to establish and build a franchise network in the US, with country wide rights licenced to it from TaxAssist Direct Limited. The shareholders in the company were The TaxAssist Direct Group Limited (85%), Hal and Jamie Gross (7.5%) and Mike and Penny Melling (7.5%). Hal, Jamie, Mike and Penny invested based on an agreed valuation for the business at the time of $2m.

As noted in previous reports, the USA business faced significant challenges from the outset and generated sizeable losses in 2021 and 2022. As a result of this Group Board concluded in summer 2022 that we could not continue to invest valuable group resources into the USA business and a revised strategy was agreed.

This strategy involved the cessation of all franchise operations in the USA, which was implemented in late summer 2022. All USA based operations were shut down, all USA focused group personnel were made redundant and we moved 4 of the 5 franchisees/area developers on to new Licence Agreements. This was not a simple or easy process, and it involved some very tough conversations as well as a hugely complex legal process, but we had no choice given the accumulating losses and time commitment for our central teams.

These changes meant the removal of almost all of the costs associated with the USA business and full legal protection against any future claims.

The costs incurred in 2023 are largely a legacy of these changes, with residual costs now being basic ongoing governance and regulatory requirements for the company (accounting costs, insurance, etc).

Projections for 2024 (USA)

The new Licence Agreements in place include the rights to receive licence fees based on 2% of practice revenues w.e.f. November 2023. These revenues are now starting to build and are expected to largely cover any ongoing costs in 2024.

Australia – TaxAssist Direct Australia Pty Ltd

Financial Overview

	TaxAssist Direct Australia Pty Ltd	£
2023	**Reported EBITDA**	**N/A**
2023	Reported EBITDA	(46,999)
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	N/A
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	N/A

Business Overview

The Group launched a Master Franchise operation in Australia in 2015. For personal reasons the Master Franchisee decided to exit the business in 2020 and at that point Group took back the master rights and responsibility for running the Australian network through a new company, TaxAssist Direct Australia Pty Limited. An experienced contact of ours, Mandy Sigaloff, was appointed as Managing Director for Australia to support the growth of the network. Mandy was offered a shareholding of 34% in the company as 'sweat equity', with Group holding the remainder as majority shareholder.

As explained in previous reports and presentations, we experienced significant challenges in the Australian market. Despite a huge amount of effort on the part of Mandy and our central teams the company made losses from day one. As a result of this, Group Board agreed a strategy in late 2022 to step back from the Australian business and a deal was agreed and completed with Mandy in March 2023. This deal involved Group relinquishing its majority stake in the company for a nominal sum and writing off part of the debt accumulated at that time. This allowed us to step away from our ongoing funding responsibilities and to indemnify the Group from any possible future liabilities and claims that may arise.

As a result of these changes, we now hold a minority stake in the Australian company (10%). The Australian network continue to operate under the TaxAssist brand through a new Licence Agreement.

As Group holds a minority interest, the Australian company is treated as an associate company, meaning it is excluded from group reporting. Any future income will be generated through the licencing agreement in place, the provision of support services on commercial terms and the receipt of dividends. We are not incurring any ongoing costs in respect of the Australian business.

Financial Overview

	The TaxAssist Direct Group Limited	£
2023	**Reported EBITDA**	**(144,083)**
2022	Reported EBITDA	(140,380)
H1 2024	EBITDA for the 7 months to 31 July 2024 per management reports	N/A
H2 2024	Projected EBITDA outturn for the year to 31 December 2024	N/A

Business Overview

The TaxAssist Direct Group Limited is the holding company for all group businesses. It does not trade directly and in recent years its results reflected the cost of bank borrowing for the group, together with compliance and regulatory costs that were not directly attributable to other group companies.

The reported losses in 2023 were very similar to the previous year on this basis.

Changes and Projections for 2024

As covered in the Shareholders Meeting earlier this year, we are now taking a different approach to cost allocation across the group. Historically almost all central and fixed group costs, including certain Directors, support team members and premises costs, were fully allocated to TaxAssist Direct Limited. A small round sum management charge was then made to other group companies to reflect a recharge of these costs.

We recognised in late 2023 that this approach was becoming outdated given the ongoing expansion of the group and the development of new subsidiary companies. We therefore implemented a new approach to cost allocation for 2024. All group related costs, including people, premises and other administrative costs are now charged to the group parent company, i.e. The TaxAssist Direct Group Limited. They are then allocated to the various group companies on a utilisation basis, which includes reference to turnover, headcount and other cost drivers.

As a result of these changes, most subsidiary companies are now 'paying' far more than they were previously for their central support services. Whilst this impacts on the comparability of profitability, as set out in various parts of this Report, it does provide a more accurate and fair way of measuring the levels of contribution and profits being generated across group companies.

The 2024 numbers included in this Report reflect a full cost allocation basis, hence the N/A references to 2024 figures above.

To help demonstrate the impact of these allocations, we have set out contribution figures alongside EBITDA numbers in the summary of forecast results for 2024, set out on page 33. The contribution figures show the level of profitability of each group company before central cost allocation.

SIGNIFICANT POST-YEAR EVENTS

Acquisition Strategy

Our new Strategic Plan, published in January 2023 introduced the concept of Direct Provisioning and our plans to directly acquire a small number of resales as part of our longer-term growth plans.

Our Shareholders Report last year explained the background behind these plans and how we believed it would create benefit and value for both franchisees and group shareholders.

As noted on page 15, our first acquisition was completed in August 2023 when we acquired the fee bank and territory rights for the Hammersmith and Enfield territory.

In anticipation of further acquisitions, we set up a new company in early 2024, TaxAssist Direct Acquisitions Limited to support future transactions. This company completed the acquisition of a 75% stake in Quartet Business Services Group Limited on 31st May 2024. Full details of the transaction, the criteria applied when considering its suitability, the structure of the deal and the funding in place are available on the Group Share Site and were sent out to shareholders in a communication on 4th June.

This was our first large group acquisition and involved a significant amount of due diligence and preparatory work. We are pleased to report that it is already surpassing our expectations, with profitability ahead of target and the integration of the business and its team into our group structures largely completed.

Our next significant resale acquisition is planned for October 2024. We cannot provide further details at this stage but will communicate with all shareholders as and when the transaction completes.

As set out in our Strategic Plan and previous shareholder communications, we will develop our acquisition model carefully. Our priority and focus will always be in our franchise businesses and networks, but we believe that the direct provisioning model sits comfortably alongside them and will provide franchisees with significant benefits over time. As an example, we have already started testing software, technology and processes in our acquired practices as they provide us with an ideal basis to review developments in a TaxAssist practice environment.

Once the second acquisition is completed, we will spend time working on integrating and building our practices before looking at further opportunities. We do have a number in the pipeline, but we need to ensure that we have the right infrastructure in place before we add any more.

What we can already see is how acquiring the right practices (based on our stated acquisition criteria) can add profitability and value to the group. Looking ahead we can see how we can develop the model further – standardising processes, building key functions, creating centres of excellence, sharing resources and developing cross and upselling functions will all help to generate stronger margins and increase shareholder value.

Brand Launch

We unveiled our refreshed brand identity on 21st March 2024 at an event in Silverstone, attended by more than 200 franchisees and staff members. This was the culmination of a 9-month project, involving extensive research and feedback from franchisees, clients and prospects.

This is a huge milestone for The TaxAssist Group. It gives us a much needed brand update, but it also allows us to more effectively promote the range of services our franchise networks can now offer.

Our discussions with external parties and markets have all demonstrated how well respected our brand is, but also how important it will be as we look to grow and develop the group. The rebranding project has required a significant investment by Group in terms of both finance and time and we appreciate that franchisees will also need to invest, but we are confident that this will make a difference for our networks and all of our group companies.

Dividend Payment

We announced the first ever TaxAssist Group Dividend at our Shareholders Meeting on 7th March 2024.

Full details of the planned Dividend were sent to all shareholders on 14th March, reflecting an ex-dividend date of 31st March and a payment date of 30th June. The effective dividend per eligible share was 0.0238p, with an expected total dividend payment of £100,000.

We have always stated that we would work towards dividend payments when affordable and this first interim dividend was an important step for Group. We have now set a policy to determine annual dividend payments and will work towards maximising these for shareholders, balancing dividend yield with the need to invest in growth, support our networks and build group share price.

VALUATION OF THE TAXASSIST DIRECT GROUP SHARES

Following signing off the 2023 Accounts for all group companies, we have now updated our valuation model. This model was originally provided to us by our external valuers, Steve Pye & Co. (previously Hornbeam/Phil Needham). The valuation is based on accounting information as at 31 December 2023.

As in previous years the valuation methodology is based on applying a P/E multiple to weighted group profit before tax for recent years. This has only been applied to what our valuers have considered our established trading companies – TaxAssist Direct Limited, TaxAssist Direct Ireland Limited and TaxAssist Direct Services Limited.

The resultant valuation on a like for like basis is an increase to 2.73p per share, up from 2.42p per share in the previous year.

We have set out a chart tracking annual valuations on page 24.

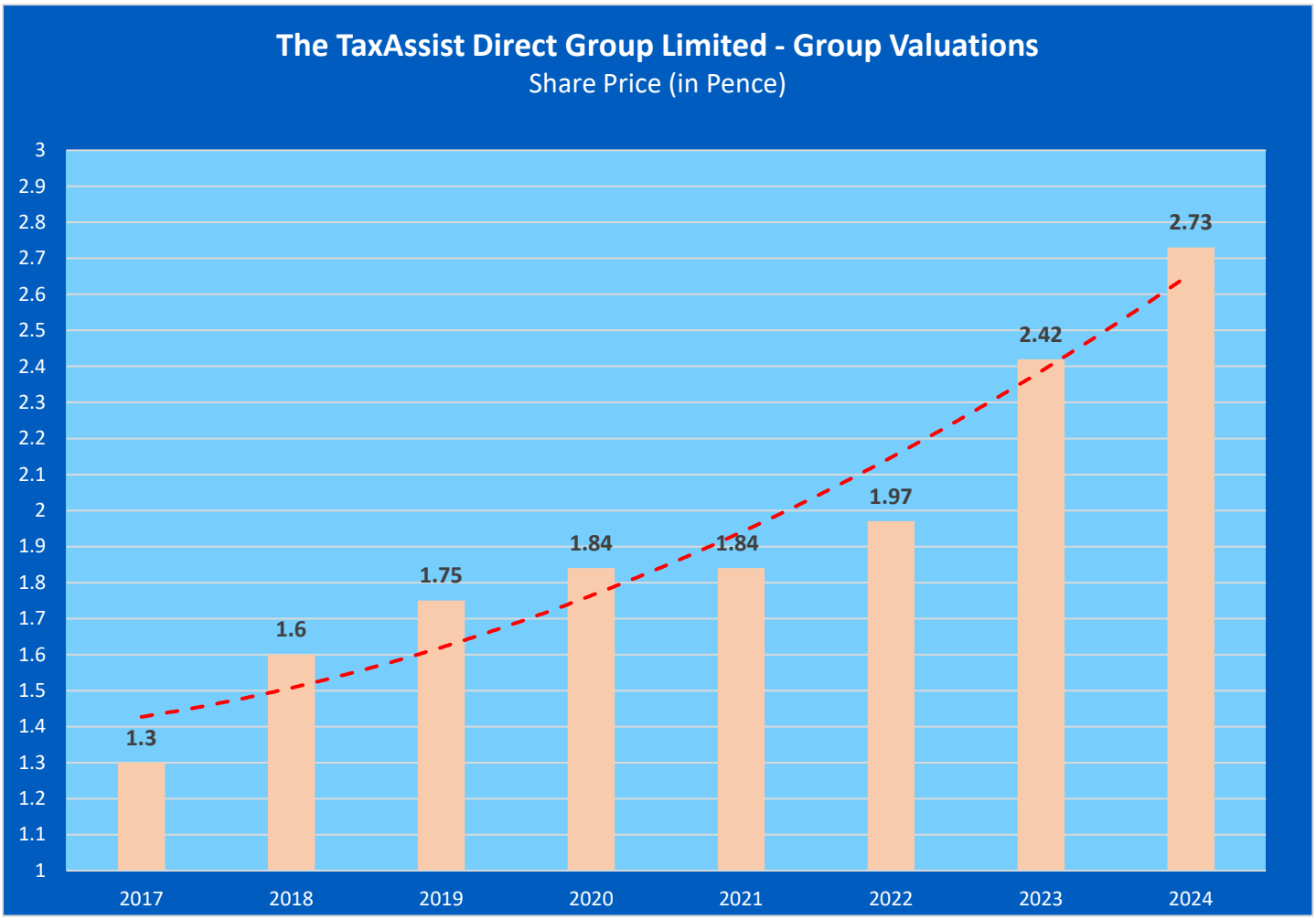
When considering valuation figures it is important to understand the basis of these valuations. All valuations are subjective in nature and the approach we have taken in the past – applying P/E multiples to historical weighted profit figures – would be considered by many to be too simple an approach.

Our discussions with external parties (advisors, accountants, the financial markets and the London Stock Exchange) have all demonstrated that we need to build a new valuation model that reflects the breadth and growth of the group. We will be developing this model over the coming months with support from external parties and will publish the results for shareholders once completed.

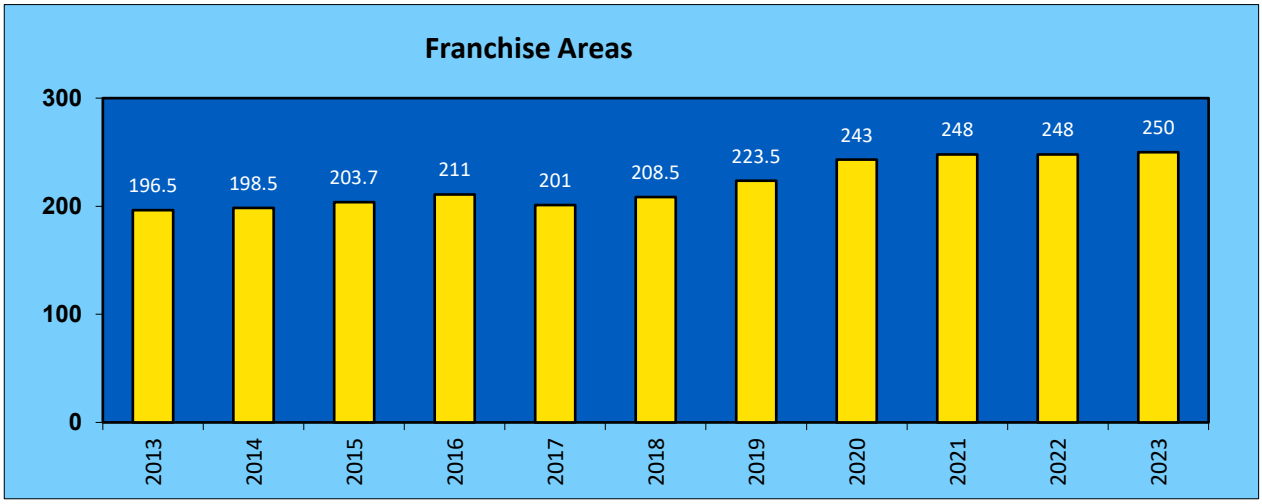
One very simple change that we can make is to start looking at EBITDA numbers rather than profit before taxation. Our lenders consider this to be the correct measure of profitability for their purposes and almost all valuations in our sector involve some level of adjustment to EBITDA. If we were to base our valuation on EBITDA rather than profit before tax, using exactly the same approach in all other respects, our valuation based on 31 December 2023 numbers would be **2.84p** per share.

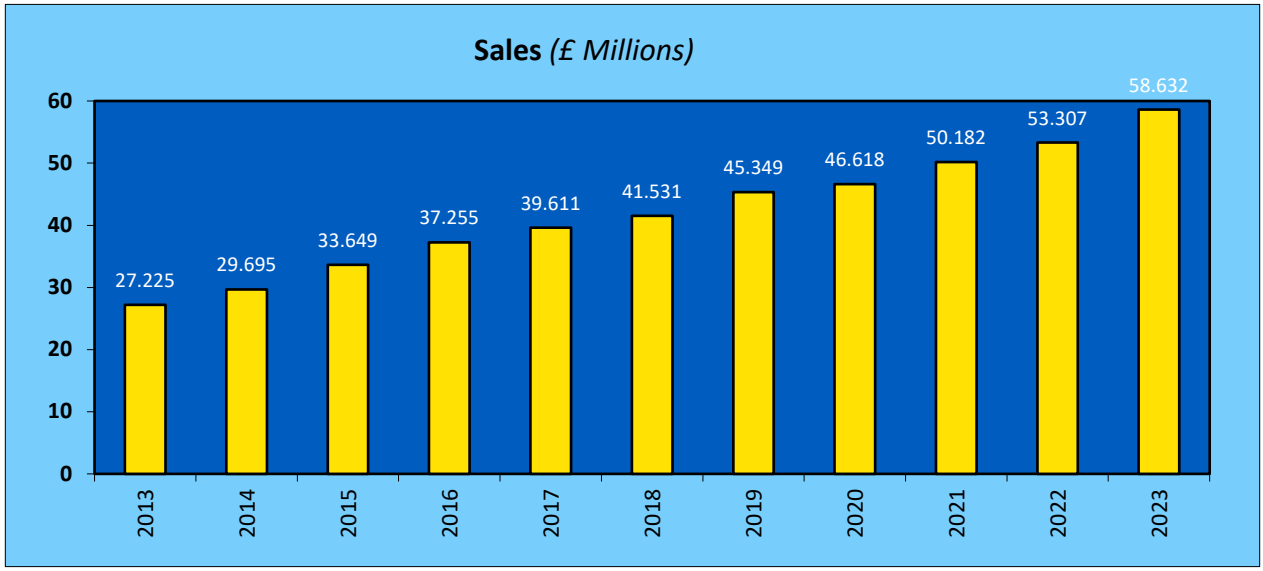
We cannot accurately predict future valuations, but if we do achieve the level of group profitability for the year to 31 December 2024 set out on page 33, we would expect to report a significant increase in the underlying value per share next year.

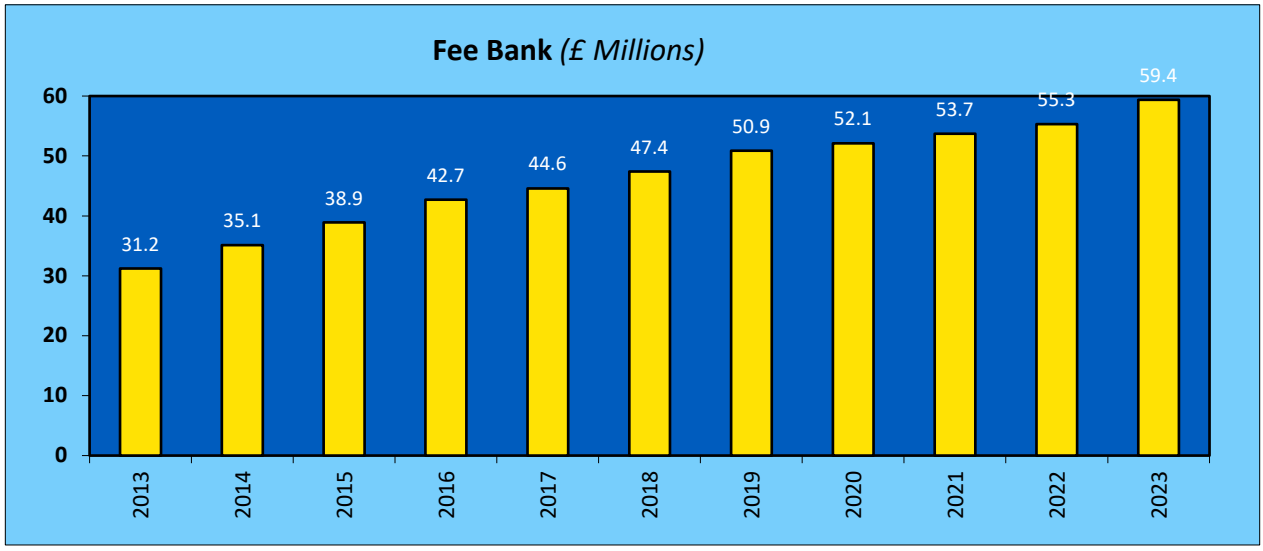
VALUATION OF THE TAXASSIST DIRECT GROUP SHARES



UK MANAGEMENT INFORMATION CHARTS







GROUP BOARD OF DIRECTORS



L-R: Nic Redfern, Mike Melling, Sarah Robertson, Daren Moore, James Mattam



Phil Sullivan (Non-Executive Director)

GROUP OPERATIONAL BOARD



Mike Melling
Group Chief Operating Officer



Daren Moore
Group Chief Executive Officer



Nic Redfern
Group Chief Financial Officer



Sarah Robertson
Group Director
UK Managing Director



James Mattam
Group Director
Business Development Director



Andy Gibbs
Director of Services



Georgina Foster
Managing Director
TaxAssist Direct Financial Services



Richard Washington
Head of Group Technology

Senior Management Team



Tim Duffield
Head of Group Compliance



Jo Nockels
Head of Group Practice Capabilities



Samantha Skyring
Head of Group Learning & Development



Simon Hutchinson
Head of Group Business Intelligence



Kelly Chick
Head of Group Marketing

GROUP COMPANY INFORMATION (as at 31 December 2023)

Company	Company Number
The TaxAssist Direct Group Limited	09111616
TaxAssist Direct Limited (main UK operating company)	03125864
TaxAssist Direct Ireland Ltd	598479 (IE)
TaxAssist Direct Ireland Services Ltd	718267 (IE)
TaxAssist Direct Services Limited	11556428
TaxAssist Direct Tax Consulting Limited	14344989
TaxAssist Direct Financial Services Limited	12733866
TaxAssist Direct London Limited	11638546
TaxAssist Accountants (Hammersmith) Limited	15000914
TaxAssist Direct Acquisitions Limited	14621754
TaxAssist Direct International Ltd	07713675
TaxAssist Direct USA Inc	0101054958
TaxAssist Direct Australia Pty Ltd	645 613 912
TaxAssist Accountants Ltd (non-trading)	05361812
TaxAssist Direct USA Ltd (non-trading)	07712735
TaxAssist Direct Europe Ltd (non-trading)	09898012

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www.taxassistconsulting.co.uk	
www.taxassistfinancialservices.co.uk	
www.taxassist.ie	(Ireland)
www.taxassistfranchise.ie	(Ireland)
www.taxassistconsulting.ie	(Ireland)
www.taxassistau.com.au	(Australia)
www.taxassistfranchise.com.au	(Australia)
www.taxassist.ca	(Canada)
www.taxassistfranchise.ca	(Canada)
www.taxassist.com	(USA)

Shareholder Details (as at 20th September 2024)

Ordinary Shares	Number of Shareholders	Total Shareholding in Shares	%
Class A	0	0	0
Class B	7	47,700,546	10.1
Class C	152	220,916,268	47.4
Class D	8	56,560,061	12.0
Class E	29	5,871,900	1.3
Treasury Shares	1	40,870,749	9.1
Growth Shares	13	94,219,609	20.1
Totals	210	466,139,133	100

A – Original Founder and Family (now redeemed)

B – Executive and Non-Executive Directors

C – Franchisees

D – Non-Franchisee Partners and Other Investors

E – Support Centre and Franchisee Staff

Note that the Growth Shares are restricted shares, as set out in the Share Site.

GROUP PROFIT SUMMARY

Group Profit & Loss Summary per Financial Statements for the Year Ended 31 December 2023

	TAD Group	TAD Limited	TAD London	TA Hammersmith	TAD Services	TAD Tax Consulting	TAD Financial Services	TAD Ireland	TAD Ireland Services	TAD USA	TAD International	GROUP TOTAL
Turnover	0	6,591,279	216,233	21,897	434,174	182,846	458,205	869,051	13,310	9,607	46,670	8,843,272
Cost of Sales	0	(1,784,430)	(100,004)	(13,329)	(53,061)	(25,991)	(455,248)	(308,585)	(2,423)	(9,885)	(12,669)	(2,765,655)
Gross Profit	0	4,806,849	116,229	8,568	381,113	156,855	2,957	560,466	10,887	(278)	33,971	6,077,617
Expenses	(144,083)	(3,685,474)	(259,878)	(6,004)	(257,734)	(312,137)	(181,968)	(400,291)	(3,038)	(61,238)	(12,423)	(5,324,268)
EBITDA	(144,083)	1,121,375	(143,649)	2,564	123,379	(155,282)	(179,011)	160,175	7,849	(61,516)	21,548	753,349
Depreciation and Amortisation	0	(26,734)	(4,433)	0	(4,671)	(252)	(6,793)	0	0	0	0	(42,883)
Operating Profit	(144,083)	1,094,641	(148,082)	2,564	118,708	(155,534)	(185,804)	160,175	7,849	(61,516)	21,548	710,466
Interest Receivable	0	796	0	0	0	0	0	0	0	0	0	796
Interest Payable	(84,501)	(21,817)	(21,517)	0	(198)	0	(14,576)	0	0	(205)	0	(142,814)
Exceptional Items: Rebrand costs (TAD Limited) PI and Enquiry Provision (TAD Services) Directors severance costs (TADFS)		(76,166)			(30,193)		(76,270)					(182,629)
Profit on ordinary activities before Tax	(228,584)	997,454	(169,599)	2,564	88,317	(155,534)	(276,650)	160,175	7,849	(61,721)	21,548	385,819

Note – The analysis above excludes any adjustment for minority interests.

GROUP FORECAST SUMMARY

Forecast EBITDA for the year ended 31 December 2024

Company	Contribution £	EBITDA £
TaxAssist Direct Limited	2,616,161	1,379,839
TaxAssist Direct Ireland Ltd	216,055	179,944
TaxAssist Direct Ireland Services Ltd	17,345	17,345
TaxAssist Direct Services Limited	73,692	(7,138)
TaxAssist Direct Tax Consulting Limited	64,479	7,869
TaxAssist Direct Financial Services Limited	(43,398)	(144,110)
TaxAssist Direct London Limited	(125,405)	(141,592)
TaxAssist Accountants (Hammersmith) Limited	(6,137)	(10,172)
Tax Accountants (Bucks & Herts) Limited (for the period from 1 June 2024)	294,191	264,346
TaxAssist Direct International Ltd	21,637	21,637
TaxAssist Direct USA Inc	(4,854)	(4,854)
TaxAssist Direct Group Limited (central costs)	(1,560,652)	0
Total Projected Group EBITDA	1,563,114	1,563,114
Total Projected Increase in EBITDA (Year on Year -v- 2023)		809,765 107.5%

As set out on page 20, we have restructured group cost allocations in 2024, hence showing both contribution and EBITDA numbers for each group company above.



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