

Axios Bidco Limited
(Registration number 09749768)
Annual Report and Financial Statements
for the year ended 31 December 2021

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Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

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Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2021 for Axios Bidco Limited ('the Company') and its subsidiaries (together 'the Group'). The prior period is 15 months to 31 December 2020.

The Directors, in preparing this Strategic Report, have complied with s414C (11) of the Companies Act 2006.

The Group completed a restructuring of its debt on 24 March 2021. Through this restructuring, the Group's Lenders as shareholders of the Company, have provided a new capital structure to support the growth of the business. This included a debt for equity swap reducing the overall level of bank debt by £173m, extending the term of facilities to September 2025, revising financial covenants and providing additional Premium Term facilities of £20m.

The Directors have reviewed the cash flow forecasts for the Group and the terms of the new financing facilities and have concluded that the Group will be able to continue as a going concern for at least 12 months from the date of signing these financial statements. As such the Group financial statements have been prepared on a going concern basis.

The financial statements of the Company are also prepared on the going concern basis and further details are provided in note 1 to the Company Financial Statements on page 84.

Principal activities

The Group manages critical incidents in the car and home on behalf of the world's leading insurers, brokers and fleet managers, together with warranty and service plan provision for many automotive manufacturers and automotive dealerships and provides specialist software to the insurance industry. The Group has a world-class supplier network, sophisticated technology platforms and over 2,100 employees across Europe, United States of America, Africa and Australia serving over 1,200 clients, including 15 of the top 20 global general insurers and three of the top five fleet and lease management companies.

Strategy and objectives

The Group aims to be the leading provider of business services solutions to global motor and property insurers, fleet owners, lease management companies and car manufacturers. The Board believes that the Group is well positioned to continue to develop its business through three key strategic objectives:

- Growth through technology optimisation and innovation
- Key account strategy to drive transformational growth
- Growth through delivery excellence

Growth through technology optimisation and innovation

During the year the Group has continued to make substantial progress in developing its global technology platform: Gateway, which has a common core and is being developed to meet the requirements of each of the Group's business streams. The Gateway platform will provide a fully digital claims process for the customer and all the relevant stakeholders. The new platform is a sector leading application which will radically overhaul the customer experience and quality of service as well as deliver substantial operational efficiencies for both the Group and its customers.

In 2021 the operational implementation of the platform in the Germany motor business commenced and it is expected to be completed by June 2022. At December 2021 15% of Germany's motor claims volume was being processed on Gateway. Once the implementation is completed in Germany the Group will continue to develop and implement the platform for other motor businesses followed by the Group's service plan and warranty business. During 2021 the Group invested a further £9m, mainly on developing the Gateway platform.

Key account strategy to drive transformational growth

The Group has an established position and scale with its large customers across multiple territories and holds strong positions across the majority of the key markets it serves. The Group's diversified global operations create a significant opportunity for growth across a number of its product offerings. The Board believes that the Group is therefore uniquely positioned to benefit from the significant opportunities available in a market where the outsourcing market is growing. A key account strategy has been developed to drive transformational growth through fully leveraging the Group's global presence targeting multiple territory deals with key existing and new global clients.

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Growth through delivery excellence

The Board believes there is a substantial opportunity to drive efficiency across the Group through a focus on best in class operations and processes allied with the Gateway platform. The Group has the potential to leverage significant growth through standardising its highest-performance operations across the whole Group, driving delivery excellence to existing customers and facilitating better integration of future clients and acquisitions.

The business model

The Group generates revenues in the following ways:

1. Transaction fees, where it receives a fee per claim or commission for handling motor and property claims on behalf of its clients;
2. Sale of goods, where it sells motor parts and paint for use within the supply chain and attract a margin either as agent or principal; and;
3. Provision of service, maintenance and warranty plans to the motor industry, where it generates fees and uses 'risk and reward' models to deliver quality service and generate revenue.

As the Group acts under delegated authority from its clients, typically, only the fee for handling the claim is recognised, rather than the gross claims cost itself. For certain business lines, for example in the sale of parts in the Group's German motor business and on-risk service and maintenance plans in South Africa, the Group recognises revenue gross.

Covid 19

The COVID 19 pandemic had a less pronounced impact in 2021 than in 2020 with the most significant impact in the German and UK motor markets. During the Spring of 2021 most of our key markets commercially recovered from the impact of Covid 19 and during H2 2021 we have seen continued volume recovery. As we exit 2021 we note that our motor volumes are still trending 10-15% below the previous norm.

During 2021, the Group continued with a range of measures to ensure continuity of service through working from home, whilst managing costs tightly in response to a significant drop in motor volumes. This action, combined with good cash management, ensured that the Group maintained sufficient liquidity during the period to allow it to continue to trade and maintain its investment in the Gateway platform. The level of government support was reduced in 2021 although specific support was received in the UK, Australia and Germany.

An additional impact from Covid 19 has been on the global supply chains which provide spare parts for bodyshops, through H2 2021 the Group was impacted by delays in delivery of spare parts and availability of hire cars which led to a slow down in operating velocity through our supply chain partners. Our expectation is that this will ease through 2022 as the global supply chains are replenished.

The Group's global property businesses continue to be largely unaffected by the Covid pandemic.

It is assessed that the revenue impact from Covid 19 was £6m (2020: £20m) and the EBITDA* impact was £4m (2020: £6m).

* EBITDA - adjusted performance measure consisting of profit before interest, tax, depreciation and amortisation. For the reconciliation of statutory profit to EBITDA refer to page 8.

Market environment and outlook

The Group serves two principal vertical markets – insurance and automotive – with the insurance segment having the greatest scale and broadest geographic distribution.

The markets have attractive underlying drivers of growth, including the ongoing shift to outsourcing. Although a competitive market, the Group is well placed to benefit from these ongoing trends.

In assessing the opportunity for the Group's business, an analysis has been undertaken to determine the key strategic factors faced by clients. For insurance, these have been identified as:

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- The technology challenge – in particular, a need to keep pace with customer expectations regarding the digital agenda. This is particularly relevant in a post Covid 19 environment where the move to digital has been accelerated.
- Pressure on insurance rates – borne out of an increasingly commoditised market and aggressive competition.
- Customer churn – exacerbated by the ease of price comparison and lack of customer loyalty.
- Focus on cost reduction – with a particular emphasis on claims cost and benefits of a managed network of repairs/contractors
- Market transformation – the realisation that both the customer engagement model and the nature of the insurance product itself are being transformed by market disruption (e.g. new entrants from a non-insurance heritage and developments such as the connected home and car).
- Regulation including General Data Protection Regulation - ensuring compliance and control over client data.

Some insurers are also questioning whether they should be full-service organisations, with control over the entire customer lifecycle, or whether they should consider certain aspects of their current business model to be non-core. This presents opportunity to organisations like Innovation Group through improved customer service, cost reduction and leading technology.

There is also an opportunity to change the operating model from one which manages a claim on a transactional basis, as is currently the case, to be the manager of the claims process itself. This would entail a much more fundamental outsourcing relationship with the insurer and is more likely to be positively received initially amongst the smaller insurers.

In the automotive segment, and in addition to an engagement with fleet operators around the world, the Group provides a comprehensive range of value-added products to automotive manufacturers and dealership groups. This includes the provision of service plans (whereby vehicle servicing costs are built into an inclusive monthly payment plan) and warranties which are fully administered on a white label basis by the Group.

These solutions are marketed by the automotive manufacturers and dealership groups as critical enablers of customer retention and equally serve as an opportunity to up-sell to new and existing customers. The Board foresees an opportunity to extend these services beyond the current base in South Africa and the UK to other regions such as continental Europe.

The increasing importance of technology is becoming much more pre-eminent and the Group can see an opportunity to not only use its new technology platform with its current customer base but to extend its use to customers who are only seeking a technology solution.

In summary, the Board believes that the Group is strongly positioned to take advantage of a set of market dynamics which present significant opportunity for growth.

Risk management

The Group operates a centrally managed risk system that provides a clear structure for managing risk across the Group and ensures significant risks are understood and visible to senior management, as well as to the Board. The Board has ultimate responsibility for the Group's risk management process and reviews its effectiveness at least annually. However, on a day-to-day basis, senior management is responsible for providing visible leadership in the management of risk, integrating it into everything we do and all-important decisions we take.

Key risks and uncertainties

It is recognised that the Group at any point in time is exposed to several risks including financial and non-financial risks (the Group's detailed financial risk management is provided in note 29). The following table details the most significant risks as identified by the Board together with the relevant mitigation. It should be noted that any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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Identified risk	Potential impact	Mitigation
Failure to retain a competitive advantage The Group's Business Services business has relatively low barriers to entry. Product offerings and service levels must be continually improved through process and technology to avoid competition being based solely on price.	If the Group is unable to maintain competitive advantage, its ability to gain and maintain market share will be impaired.	The Group has invested substantially in new technology to achieve a competitive edge. It also continually reviews its product quality against the competition in the market. The Group continues to invest in developing or acquiring 'point' solutions in both its Motor and Property divisions which will improve processes and give better efficiencies in the claims value chain.
Failure to deliver business transformation The Group's business plans include business transformation initiatives to deliver significant process improvements, improved customer outcomes and cost savings. There is a risk that it may take longer than anticipated to deliver these initiatives or that they may fail to deliver the benefits assumed.	Failure to deliver process improvements, customer outcomes and cost savings planned could result in a materially adverse effect on the Group's ability to deliver planned financial results to shareholders.	The Group continues to invest in key leadership positions to lead the various business transformation initiatives and technology implementation programmes. Regional implementation teams ensure connection with local business processes. Progress against project plans is reviewed regularly to ensure the identified outcomes will be delivered.
Dependence on key clients and suppliers The Group's revenues depend in part on maintaining technology and Business Services agreements with key insurance industry clients. There is a risk that key customers might cancel material contracts or decide to take technology or Business Services in-house. The Group relies on its relationships with its supplier networks. There is a risk that these key suppliers do not cost effectively satisfy their obligations to the Group.	The loss of key customer contracts could result in a materially adverse effect on the Group's ability to deliver planned financial results to shareholders. A significant failure of delivery by the Group's supplier networks could result in damage to the Group's reputation and client relationships as well as adversely impacting on the results of operations.	The Group continues to monitor its performance and service offerings to ensure the delivery of real value to its customers. Supplier networks are continually managed to ensure the efficiency and cost effectiveness of these operations for the Group's customers. The Group continues to invest in product offerings to ensure the Innovation Insurer product suite remains technologically competitive. Its product and road map are regularly validated by industry analysts and insurance consultants.
Revenue may be significantly affected by weather conditions Most of the Group's Business Services revenue is derived from handling motor or property claims. It is therefore exposed to the risk of significant claims fluctuations due to extreme or abnormal weather conditions. Climate change may make extreme weather conditions more frequent.	In order to become and remain a go-to partner for the customer base in its chosen target markets, the Group must be able to respond in an agile manner to changes in claims volumes which are triggered by changes in climatic conditions. Inability to prove this capability will reduce the Group's ability to grow market share and/or reduce its market share, impacting future revenue growth and hence reduce the potential to provide returns to its shareholders.	Part of the Group's business model is to be able to serve customers in their times of need. Therefore, it must be able to respond quickly to changes in required capacity. The Group monitors its ability to respond quickly and handle changes in volumes whilst still maintaining high levels of customer service. With tested surge plans in place, the Group is able to demonstrate to its customers that it can cope with additional volumes.

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Servicing debt and meeting banking covenants

At 31 December 2021, the Group had debt of £181.5m excluding other loans (2020: £213.6m excluding PIK debt and other loans). There is a risk of the Group failing to meet interest payments as they fall due or breaching covenants if the expected financial performance of the Group is not met.

Failure to meet interest payments as they fall due or breach of covenants would result in additional costs on the business if facilities are renegotiated or could result in the removal of the facilities and a threat to the going concern of the business.

The results of the Group are reviewed on a monthly basis and are re-forecast quarterly. The cash flows of the Group are reviewed on a continuous basis and are re-forecast weekly. These reviews enable the Group to assess its ability to service the debt, including meeting future covenant tests on a forward-looking basis.

The terms of the Group's Senior and Super Senior debt are that the Group's interest can be paid if the Group chooses to pay or otherwise will be capitalised. The next covenant test is December 2022.

Covid -19 Pandemic

The Group's businesses rely on economic activity in each region. Governments in each region respond to the challenges faced and have a direct impact on the activities in their economies. The impact of reduced economic activity will directly affect the operations of the Group.

Reduced economic activity and restrictions on the Group's ability to undertake normal business operations all directly and negatively impact business operations.

There are indirect risks to disruption in supply chain for parts and materials which may slow repairs and therefore business volumes.

There are direct risks to the wellbeing of the Group's employees.

The Group performed well through Covid 19 and has adapted ways of working to continue to service clients and protect employees throughout.

This is not an exhaustive list and other factors may impact the Group.

Key Performance Indicators ("KPIs")

The Group uses a range of financial and non-financial performance indicators to monitor the business. The financial KPIs set out in the following table are fundamental to the Group's business and are the measures that inform the management team of the progress in achieving the Group's business plans, strategic aims and objectives.

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£'m	12 months to 31 December 2021	15 months to 31 December 2020 Restated*
Revenue	180	222
EBITDA	17	23
Operating cash flow	(2)	(3)

* Refer to note 31 of the Annual Financial Statements.

Certain of these KPIs also form the basis of senior management reward, therefore ensuring that this is aligned with shareholder value creation. The Group's performance against these KPIs is referred to as part of the following financial review.

The Group also has several operational KPIs that are used to manage the business on a day by day basis, many of which are woven into service level agreements within customer contracts. Examples of these include:

- Claims volumes;
- Number of claims closed within a time period;
- Average settlement value per claim;
- Size of sales pipeline and number of new wins;
- Customer satisfaction; and
- Utilisation of staff.

It is considered impractical to separately report on these operational KPIs within the Group's Annual Report and Financial Statements because although the KPI measurement may be the same, the targets will vary by region, driven predominantly by individual contractual service level requirements.

The financial KPIs noted above are linked to the operational KPIs in a manner which mean that tracking the financial KPIs is a reasonable proxy for some of these operational KPIs. For instance, transactional revenue is driven by the number of claims handled in a period.

These KPIs are relevant to the strategic goals as stated on the following bases:

How will the Group reach its strategic goal	Relevance of KPIs to how the Group will achieve its strategic goal
Key account strategy to drive transformational growth	<p>The Group continually assesses its sales pipeline in order to ensure that it has enough opportunities to support its growth targets.</p> <p>Sales growth is measured by the ability to increase revenue. The Group measures and reports revenue growth as a KPI.</p>
Growth through delivery excellence	<p>On a day to day basis, the Group's operations measure customer and client satisfaction as part of agreed service level agreements.</p> <p>If the Group fails to provide excellent service, it runs the risk of the loss of clients or a reduction in the volume of claims that it is asked to handle, thereby impacting revenue growth, profitability and generation of cash.</p>
Growth through technology optimisation and innovation	<p>The Group's technology underpins its service delivery to customers and drives the efficiency of its operations.</p> <p>If the Group fails to invest in technology, it may lose its competitive advantage and run the risk of losing clients thereby impacting revenue growth, profitability and generation of cash.</p>

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Review of the business

Overall Group performance

Revenue from continuing operations (KPI)

£'m	12 months to 31 December 2021	15 months to 31 December 2020 Restated*
UK	50	62
Central Europe	75	85
Spain	1	5
South Africa	41	49
Asia Pacific	5	9
North America	5	8
Software (1)	3	4
Group Revenue	180	222

* Refer to note 31 of the Annual Financial Statements

(1) Includes revenue from multiple geographic locations.

Group revenue for the year to 31 December 2021 was £180m (2020: £222m for the 15 month period - restated). The results for 2021 continue to be somewhat affected by the Covid 19 restrictions around the world which has seen volumes in claims in the Motor business remaining below pre-pandemic levels.

Germany is the Group's largest business. Its motor volumes continue to recover supported by some additional hail damage to cars in summer 2021 compared to summer 2020 and growth in the fleet business. The UK business benefited from higher volumes in its property subsidence business in the first half of the year. South Africa's result for the year was affected by the loss of a customer in March 2021 but service and warranty plan revenue was stable as it is recognized over the life of a plan. In the US property business revenue was affected by the ongoing effect of the 2019 loss of a major customer and slow growth with its key customers in the motor business.

Profit before tax and EBITDA (KPI)

£'m	12 months to 31 December 2021	15 months to 31 December 2020
Loss before tax from continuing operations	(21.8)	(88.7)
Adjusted to remove:		
Exceptional items	9.7	71.5
Exceptional revenue adjustment	-	(3.0)
Net interest	9.4	17.1
Amortisation	14.4	18.1
Depreciation	5.1	7.6
EBITDA	16.8	22.6

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The reconciliation of statutory profit before tax to EBITDA is provided in the table above. The business in Germany (Central Europe) has been stable and the largest generator of EBITDA in the Group. The UK has benefited from additional revenue in its subsidence claims business. South Africa suffered from loss of a contract in March 2021.

As described above Covid -19 continued to affect the revenues of the business, the overall impact on EBITDA during the year is estimated at loss of £4m (2020: £6m) after taking into account support schemes in the UK, Germany and Australia which have provided £0.5m (2020: £4m of cash support) to the Group. During the current year minimal government support was received, but in the USA the Group received support by way of forgiveness of a Government loan of £1m.

The exceptional items of £9.7m (2020: £71.5m) included (further details in note 4):

- Disposal related costs £Nil (2020: £0.6m loss)
- Legal fees £0.6m (2020: £0.9m)
- Software related expenses £3.7m (2020: £1.4m)
- Software licence sale income £Nil (2020: £1.8m)
- Refinancing £2.9m (2020: £2.6m)
- Restructuring costs £1.3m (2020: £6.3m)
- Provisions raised of £0.7m (2020: £5.6m provisions reversed)
- VAT payment of £Nil (2020: refund £2.1m)
- Other exceptional costs £Nil (2020: £0.3m)
- Impairment of £0.5m (2020: £68.9m)

The impairment of goodwill and intangibles is described further in note 11.

Net cash flow used in operating activities

	12 months to 31 December 2021	15 months to 31 December 2020
£'m		
Net cash flow used in operating activities	(2)	(3)

The trading of the Group has continued to be impacted by Covid-19, specifically in its Motor business where claims volumes remain below pre-pandemic levels. However, the Group has continued with its investment in transformation with £1.3m (2020: £6.3m) of restructuring and implementation expenditure.

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Statement of financial position

	31 December 2021	31 December 2020
£'m		
Intangible fixed assets	155	160
Tangible fixed assets	16	15
Other non-current assets and liabilities (excluding debt)	(14)	(18)
Current assets (excluding cash)	58	51
Current liabilities (excluding debt)	(108)	(108)
Cash	65	65
Total debt and lease liabilities	(192)	(223)
Non-controlling interests	(3)	(2)
Shareholders' equity	(23)	(60)

Capital structure

At 31 December 2021 the Group had debt, excluding lease liabilities and other loans, totalling £181.5m (2020: £327.3m) of which senior debt of £162.0m less £1m unamortised issue costs (2020: £170.7m), £20.5m priority debt (2020: £Nil), £Nil of super senior debt (2020: £42.9m), other bank loans of £Nil (2020: £1.1m) and subordinated PIK debt of £Nil (2020: £112.6m).

During the year the Group concluded discussions with its shareholders and lenders to refinance the Group. On 24 March 2021 the refinancing was completed resulting in £173.3m of debt being exchanged for equity and an additional facility of £20m of new Premium Term debt at a 10% margin. The maturity of all debt was extended to September 2025 and the first testing of financial covenants is in December 2022.

At 31 December 2020 the Group recognised an embedded derivative at fair value for the elements of the PIK debt. The PIK debt was released, along with part (£56.7m) of the Senior Debt, in exchange for equity in March 2021. The former Super Senior and Senior Term debt are combined into a single facility bearing a 6% margin.

2021	Undrawn	Drawn	Interest capitalised	31 December 2021	Fixed rate	Floating rate
	£'m	£'m	£'m	£'m	%	%
Senior debt (EUR)	-	109.3	3.3	112.6	- %	6.00 %
Priority debt (GBP)	-	20.0	0.5	20.5	- %	10.00 %
Senior debt (GBP)	-	47.9	1.5	49.4	- %	6.20 %
Unamortised issue costs	-	-	(1.0)	(1.0)	- %	- %
	-	177.2	4.3	181.5	-	-

In addition, the Group has Lease liabilities under IFRS 16 of £10.4m (2020: £8.6m). The Group's borrowing facilities are detailed in note 22.

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Events after the reporting period

On 12 April 2022, the Group acquired the Warwick Partnership Limited, a provider of loss adjusting services. Consideration of £0.6m was paid on completion, a further £0.6m is due on 12 April 2023 and up to £0.6m is payable in April 2024 dependant on the performance of the business.

Impacts on society and the environment

The Group recognises that it must act in a responsible and ethical manner which respects the societies in which it operates. The Group has developed and implemented relevant policies, procedures and training to ensure that it protects these communities. It also runs a number of charitable giving and community programmes across the Group and has established objectives to support local communities through its Sustainability Strategy.

Acting with integrity is one of the Group's core values and is central to everything it does as a Group. Fraud, bribery and corruption are not only illegal but also represent a significant reputational and financial risk. The Group's policy is to conduct business in an honest way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. Its Anti-Bribery policy is available to employees on the intranet and mandatory Anti-Bribery and Corruption training has been rolled out globally.

The Group's business principles concerning all human rights issues e.g. discrimination, child labour and forced labour are documented in the Group Code of Business Conduct available to employees on the intranet.

The Group considers that its business poses relatively low risk to the environment and societies in which it operates. Some specialist divisions within the UK business do present a slightly higher risk as the Group owns elements of the supply chain (e.g. arboriculture, ground works and drainage services) that have a higher direct impact on the environment. However, in the UK business, and Stuttgart office in Germany, the Group has Environmental Management Systems in place to understand, evaluate and minimise the impact on the environment.

The Group aims to comply with all applicable environmental legislation and other requirements, to prevent pollution and to continually improve its performance globally.

Statement of corporate governance (Section 172(1)) statement

The Company is aware of its obligations under The Wates Corporate Governance Principles for large private companies (2018).

In March 2019 a new Group Code of Business Conduct and Conflicts of Interest policies ("the COBC") were launched. The COBC is its frame of reference ensuring the highest standards of business ethics and professional conduct are employed by its workforce when making business decisions and resolving issues. All members of the workforce are required to undergo continuous training on the COBC.

Stakeholder engagement

Employees

The Group employs over 2,100 people in 7 countries, all of whom contribute to the success of the business. The Group's employment policies meet the requirements of the local jurisdictions that it operates in. It does not discriminate on any basis and encourages employees to speak out if they believe something is wrong. The Group operates a whistleblowing telephone hotline and a web-based reporting whistleblowing service. It respects the rights of employees and ensure that all are given a fair wage, that all have the right to organise and that none shall be subject to any form of discrimination whilst in employment with the Group.

The ongoing Covid 19 Pandemic required the Group (Directors) to take actions to mitigate the potential impact on its business and stakeholders e.g. Employees, customers, suppliers and wider community. The Group continued to adapt to the changing environment with a flexible mix of home and office working while continuing to provide a first class service to its customers.

Throughout this period the Group has maintained close communication with its employees, keeping them abreast of Group performance and decisions and gauging feedback on how they were coping with the changing ways of working. The communication took on many forms; "pulse" surveys in Australia, South Africa and Germany, workers council meetings in Spain and Employee Resources Groups in North America. The surveys allowed the subsidiaries to track employee satisfaction, including their health and well-being. Assessments are being made to find the right mix of office and home-based working. Business travel had been limited during the pandemic but towards the end of 2021 some travel resumed to facilitate workshops

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for Gateway rollouts in Germany.

Clients

Great customer service is and will always be important to the Group with the aim of ensuring clients and in turn their customers have the best possible experience when engaging with employees.

The ability of the Group to provide relevant and accurate industry insights is well known and appreciated by suppliers and clients alike across all regions. Understanding what is happening within the industry and reacting to a changing landscape for the benefit of all parties is appreciated across the supply chain.

Across all sectors and countries, the move away from in person meetings and work has had a big impact. The workforce continues to leverage video technologies to keep in touch with the Group's customers and each other as well as carry out vehicle assessments.

Trade shows and membership of trade bodies are key to providing access to both current and potential customers and suppliers. As trade shows reopened in 2021 the Group has continued to actively participate in both live and online events increasing direct contact with customers.

Suppliers

The Group's network of suppliers are both large chains and smaller individual suppliers and it has been important to keep in touch with the whole supply chain as in some markets Covid 19 supply interruptions were encountered alongside increased time taken to complete repairs. To manage customer / client expectations the Group held regular status update meetings with suppliers to identify delays, support additional costs borne by supplier for Covid-19 sanitizing protocols and utilizing digital means of collaboration with suppliers and policyholders in an effort to mitigate any adverse impact on customer experience.

The Group continued its active participation with the relevant industry bodies in each of the territories that it operates. This has enabled it to keep abreast of issues impacting the industry and influence the future direction of the industry. For the UK this has involved addressing not only Covid issues but also Covid related supply chain issues.

Shareholders

The Group aims to build supportive working relationships with Shareholders (who are also Lenders) and communicates progress and strategy via update presentations and other meetings as required. Where trading businesses have minority shareholders (for example in South Africa) the Group promotes active engagement with regular board meetings.

Streamlined energy and carbon reporting (SECR) information

The information provided below is in respect of the Group's UK operations only

		Unit	12 months to 31 December 2021	12 months to 31 December 2020	3 months to 31 December 2019
Scope 1	Direct emissions – from gas and owned/managed vehicles	tCO2e	457	428	167
Scope 2	Indirect emissions	tCO2e	609	964	311
	Total - Scope 1 & 2	tCO2e	1,066	1,392	478
Scope 3	Transmission and Distribution of UK national grid electricity and Business travel	tCO2e	113	131	68
	Total Scope 1, 2 & 3	tCO2e	1,179	1,523	546
UK					
	UK Turnover	£'m	52.40	51.40	13.40
	Scope 1 & 2 – Total tCO2e per £m	tCO2e	20.36	27.10	35.80
	Turnover on gross scope 1 & 2	per £'m			
	Scope 1, 2 & 3 – Total tCO2e per	tCO2e	22.52	29.66	40.89
	£m Turnover on gross scope 1, 2 & 3	per £'m			

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Methodology

The Group's UK business has adopted an operational control approach to establishing the boundary. The methodology adopted is in line with the Greenhouse Gas Protocol and the BEIS Environmental Reporting Guidelines.

For National grid electricity consumption, the UK business has included factors for the transmission and distribution of electricity (T&D) losses, which occur between the power station and site(s). The emissions from T&D have been accounted for in Scope 3. As with other Scope 3 impacts, reporting T&D is voluntary but is recommended standard practice by the UK Government.

It has been necessary to make some assumptions in respect of travel by air (based on historical travel patterns of employees) and rail (based on travel destinations of other trips of similar value) in some cases where the full detail was not available.

Energy efficiency measures

Energy efficiency measures taken

The UK business has reduced the number of office locations by one during the year.

Following the Covid pandemic the majority of our UK employees are still working from home, reducing the amount of energy directly consumed for business travel.

Energy efficiency planned

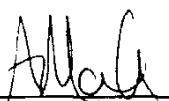
A data centre in UK has been closed, reducing the consumption of large amounts of electricity to run servers and associated A/C and UPSs equipment.

Diversity

We recognise the value of a diverse workforce and look to offer equal opportunities to everyone. There is a good gender balance across the Group, but women are underrepresented at senior levels. We expect that our talent, development and recruitment programmes will help to address this imbalance. Totals as at 31 December 2021 and 2020 are set out below.

	2021 Men	2021 Women	2020 Men	2020 Women
Number				
Board	5	-	5	-
Senior management	21	12	28	17
Other employee	1,070	1,137	1,092	1,129

Approved by the Board of Directors and signed on behalf of the Board.



Alasdair Marnoch

24 November 2022

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Directors' Report

The Directors present the annual report and the audited consolidated accounts ("financial statements") for the year ended 31 December 2021.

Directors and their interests

The Directors who served the Company during the period and up to the date of this report unless otherwise stated were:

- Tim Griffiths
- Alasdair Marnoch
- Gerard Loftus

Board composition

Tim Griffiths and Alasdair Marnoch hold Executive roles in the business as CEO and CFO respectively.

Directors' liabilities

The Company has granted an indemnity to its Directors against all liability in respect of proceedings, whether civil or criminal, in respect of alleged negligence, default, breach of duty, breach of trust or otherwise in which judgement is given in a Director's favour or in which such Director is acquitted or in defending or settling any such proceedings which are otherwise disposed of on terms previously agreed with the Board or on terms otherwise approved by the Board without a finding or admission of negligence, default, breach of duty or breach of trust on the Director's part brought by third parties, subject to the conditions set out in s234 of the Companies Act 2006. Such qualifying third-party indemnity provision was in force throughout the year and remains in force as at the date of approving the Directors' report.

Disabled Employees

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination. The Group considers applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Accounting Period

During 2020 the Company and its subsidiaries changed their accounting reference period from 30 September to 31 December 2020. As a result the comparative reporting period represents 15 months of trading to 31 December 2020.

Dividends

The Directors do not propose a final dividend for the period (2020: £nil).

Dividends paid by subsidiary undertakings to non-controlling interests in the period amounted to £0.5m (2020: £2.4m). See note 9 for further details.

Going concern

The Directors' assess the Group and Company's going concern for a period of at least 12 months from the time of approving the financial statements. On the 10th October 2022 the Group announced that its shareholders had entered into a binding agreement to sell 100% of the shares in Innovation Group Holdings Limited to Allianz Strategic Investment Sarl ("ASI") an investment arm of Allianz SE ("Allianz"). This is expected to complete within 12 months following approval of these Financial Statements. The Directors have held extensive discussions with Allianz and received assurances that whilst the legal ownership will pass to ASI, the Group's operations will continue in the current corporate structure and continue to be independent. In addition, the Directors are satisfied that post potential completion Allianz would provide any necessary funding that may be required to ensure that the Company continued to meet its liabilities as they fell due.

However, in the potential event that the transaction was not to proceed, the directors have drawn up cash flow forecasts for the Group and Company through to December 2023 and concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements'.

Research and development

As noted in the Strategic Report the Group continues to invest in its technology platforms to improve service delivery to customers and to bring new product offerings to market. A key part of the Group's strategy is to roll out an integrated global platform for motor/fleet/property repair management and this has been an area of focus in the current period. To date £11.9m has been spent on research and development of the Gateway platform.

Political donations

The Group made no political donations in the period (2020: £nil).

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Directors' Report

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK adopted International accounting standards in conformity with the requirements of the Companies Act 2006 and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to the auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent Auditors

In accordance with s485 of the Companies Act 2006, a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

The Group has chosen in accordance with section 414C(11) to set out within the Strategic Report or the financial statements the following information, that would otherwise have been required to be included within the Directors' Report:

- Stakeholder engagement; and
- Future developments; and
- Financial risk objectives; and
- Streamlined energy and carbon reporting (SECR) Information.

Approved by the Board of Directors and signed on behalf of the Board.



Alasdair Marnoch
Executive
24 November 2022

The Company's registration number is 09749768

Independent auditors' report to the members of Axios Bidco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Axios Bidco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and the Financial Statements (the "Annual Report"), which comprise: Consolidated Balance Sheet and Company Balance Sheet as at 31 December 2021; Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to general data protection regulations (GDPR) and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. 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 of inappropriate journal entries to manipulate revenue and/or EBITDA and management bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, internal legal counsel, and the Audit Committee throughout the year and since the year end, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- Reviewing minutes of meetings of those charged with governance to identify any instances of non-compliance that have been discussed;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements;
- Incorporating elements of unpredictability into the audit procedures performed; and
- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Christopher Boreham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
25 November 2022

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Consolidated Income Statement

	Note	12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 (Restated) £ '000
Continuing operations			
Revenue	3&31	180,214	222,421
Cost of sales	31	(117,934)	(139,169)
Gross profit		62,280	83,252
Exceptional items	4	(9,658)	(71,465)
Administrative expenses excluding exceptional items		(65,861)	(85,258)
Total administrative expenses		(75,519)	(156,723)
Operating loss	5	(13,239)	(73,471)
Finance income	6	729	1,081
Finance costs	7	(10,181)	(18,206)
Income from financial assets	14	910	1,908
Loss before tax		(21,781)	(88,688)
Total tax (charge)/ credit	8	(806)	601
Loss from continuing operations		(22,587)	(88,087)
Discontinued operations			
Loss from discontinued operations (attributable to equity holders of the parent)	19	-	(157)
Loss for the period		(22,587)	(88,244)
Loss attributable to:			
Equity holders of the parent:			
From continuing operations		(23,812)	(90,027)
From discontinued operations		-	(157)
		(23,812)	(90,184)
Non-controlling interests:			
From continuing operations	13	1,225	1,940

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Consolidated Statement of Comprehensive Income

	Note	12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 £ '000
Loss for the period		(22,587)	(88,244)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		4,613	211
Other comprehensive income for the period net of taxation		4,613	211
Total comprehensive expense		(17,974)	(88,033)
Total comprehensive (expense)/ income attributable to:			
Equity holders of the parent		(19,209)	(89,640)
Non-controlling interests		1,235	1,607
		(17,974)	(88,033)

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Consolidated Balance Sheet as at 31 December 2021

	Note	31 December 2021 £ '000	31 December 2020 £ '000
Assets			
Non-Current Assets			
Property, plant and equipment	10	16,095	14,980
Goodwill	11	61,560	61,560
Intangible assets (excluding goodwill)	12	93,565	98,600
Financial assets	14	7,807	7,443
Trade and other receivables	16	56	-
Finance lease receivables	17	394	-
		179,477	182,583
Current Assets			
Trade and other receivables	16	55,320	47,470
Finance lease receivables	17	235	-
Prepayments		2,714	3,507
Cash and cash equivalents	18	64,850	64,607
		123,119	115,584
Total Assets		302,596	298,167

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Consolidated Balance Sheet as at 31 December 2021 (continued)

	Note	31 December 2021 £ '000	31 December 2020 £ '000
Equity and Liabilities			
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital and share premium	21	156,694	100,011
Other reserves		742	(3,861)
Accumulated loss		(180,845)	(157,033)
Total equity attributable to the parent		(23,409)	(60,883)
Non-controlling interest	13	3,071	2,348
Total equity		(20,338)	(58,535)
Liabilities			
Non-Current Liabilities			
Interest bearing loans and borrowings	22	189,779	219,308
Contract Liabilities	24	12,378	13,403
Deferred tax liabilities	15	8,676	9,665
Provisions	25	593	1,445
Trade and other payables	26	379	512
		211,805	244,333
Current Liabilities			
Trade and other payables	26	68,215	64,906
Interest bearing loans and borrowings	22	2,621	3,991
Contract Liabilities	24	35,704	40,311
Current tax payable		1,422	1,765
Provisions	25	3,167	1,396
		111,129	112,369
Total Liabilities		322,934	356,702
Total Equity and Liabilities		302,596	298,167

The Annual Report and Financial Statements on pages 20 to 82 were approved by the Board of Directors on the 24 November 2022 and were signed on its behalf by:



Alasdair Marnoch - Director

24 November 2022

The Company's registration number is 09749768

Axios Bidco Limited

(Registration number 09749768)
Annual Report and Financial Statements for the year ended 31 December 2021

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Accumulated losses	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 October 2019	11	100,000	100,011	(4,405)	(66,849)	28,757	2,951	31,708
(Loss)/ profit for the period	-	-	-	-	-	(90,184)	1,940	(88,244)
Currency translation differences	-	-	-	544	-	544	(333)	211
Total comprehensive (expense)/ income for the period	-	-	-	544	(90,184)	(89,640)	1,607	(88,033)
Non-controlling interest on disposal of subsidiaries	-	-	-	-	-	-	189	189
Dividends	-	-	-	-	-	-	(2,399)	(2,399)
Balance at 01 January 2021	11	100,000	100,011	(3,861)	(157,033)	(60,883)	2,348	(58,535)
Loss for the year	-	-	-	-	-	(23,812)	1,225	(22,587)
Currency translation differences	-	-	-	4,603	-	4,603	10	4,613
Total comprehensive (expense)/ income for the year	-	-	-	4,603	(23,812)	(19,209)	1,235	(17,974)
Issue of shares	-	56,683	56,683	-	-	56,683	-	56,683
Dividends	-	-	-	-	-	-	(512)	(512)
Total contributions by and distributions to owners of company recognised directly in equity	-	56,683	56,683	-	-	56,683	(512)	56,171
Balance at 31 December 2021	11	156,683	156,694	742	(180,845)	(23,409)	3,071	(20,338)
Note	21	21	21					

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Consolidated Cash Flow Statement

		12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 £ '000
	Note		
Cash flows from operating activities			
Loss from continuing operations		(13,239)	(73,471)
Loss from discontinued operations		-	(157)
Group operating loss		(13,239)	(73,628)
Adjustments to reconcile Group operating loss to net cash inflows / (outflows) from operating activities			
Depreciation of property, plant and equipment	10	5,063	7,565
Amortisation of intangible assets	12	14,404	18,084
Loss on disposal of property, plant and equipment	5	1,211	303
Loss on disposal of subsidiaries	4	-	643
Loss on disposal of intangible assets	5	849	-
Foreign exchange loss	5	15	551
Impairment of intangible assets	4	-	14,218
Impairment of goodwill	4	-	54,727
Impairment of property, plant and equipment	4	456	-
Increase/ (decrease) in provisions		919	(12,073)
Gain on disposal of intangible assets		-	(1,768)
(Increase)/ decrease in receivables		(10,113)	13,464
Decrease in stocks		130	185
Increase/ (decrease) in payables		3,936	(17,900)
Decrease in deferred income		(3,822)	(4,564)
Cash used in operations		(191)	(193)
Income taxes paid		(2,271)	(2,674)
Net cash flow used in operating activities		(2,462)	(2,867)
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(2,513)	(1,426)
Purchases of intangible assets	12	(10,325)	(8,091)
Interest received	6	729	1,086
Proceeds from the licencing of software		-	1,768
Proceeds from sale of subsidiary	20	-	18,869
Net cash flow (used in)/ generated from investing activities		(12,109)	12,206

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Consolidated Cash Flow Statement (continued)

		12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 £ '000
	Note		
Cash flows from financing activities			
Repayment of loans		(1,107)	(7,948)
New borrowings		24,480	5,115
Principal elements of lease payments		(4,462)	(5,265)
Dividends paid to non-controlling interests	9	(512)	(2,399)
Interest paid		(842)	(1,752)
Net cash generated from/(used in) financing activities		17,557	(12,249)
Net decrease in cash and cash equivalents		2,986	(2,910)
Cash and cash equivalents at the beginning of the period		64,607	65,908
Effect of exchange rate movement on cash and cash equivalents		(2,743)	1,609
Total cash and cash equivalents at the end of the period	18	64,850	64,607

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Accounting Policies

Corporate information

Axios Bidco Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom, registered and domiciled in England and Wales.

The Annual Report and Financial Statements for the period from 1 January 2021 to 31 December 2021 were authorised for issue by the Board of Directors on 21 July 2022 and the Group and Company balance sheets were signed on the Board's behalf by Alasdair Marnoch. The registered office is Bembridge House, 1300 Parkway, Solent Business Park, Whiteley, PO15 7AE.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, UK adopted international accounting standards ("IFRS") issued and effective at the time of preparing these annual report and financial statements and the applicable requirements of the Companies Act 2006.

The annual report and financial statements have been prepared on the historic cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. They are presented in Pounds Sterling, which is the Group's functional currency. All values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

These accounting policies are consistent with the previous period.

During the previous year the Company and its subsidiaries changed their Accounting reference period from 30 September to 31 December resulting in the prior period ending 31 December 2020 representing 15 months of trading.

1.2 Going concern

The Directors' assess the Group and Company's going concern for a period of at least 12 months from the time of approving the financial statements. On the 10th October 2022 the Group announced that its shareholders had entered into a binding agreement to sell 100% of the shares in Innovation Group Holdings Limited to Allianz Strategic Investment Sarl ("ASI") an investment arm of Allianz SE ("Allianz"). This is expected to complete within 12 months following approval of these Financial Statements. The Directors have held extensive discussions with Allianz and received assurances that whilst the legal ownership will pass to ASI, the Group's operations will continue in the current corporate structure and continue to be independent. In addition, the Directors are satisfied that post potential completion Allianz would provide any necessary funding that may be required to ensure that the Company continued to meet its liabilities as they fell due.

However, in the potential event that the transaction was not to proceed, the directors have drawn up cash flow forecasts for the Group and Company through to December 2023 and concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements'.

1.3 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results and cash flows of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Axios Bidco Limited

(Registration number 09749768)

Annual Report and Financial Statements for the year ended 31 December 2021

Accounting Policies

1.3 Consolidation (continued)

Typically, financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity, separately from the parent shareholders' equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Consolidated Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Subsidiaries are consolidated to the date of disposal and the profit or loss on disposal is calculated as the difference between the carrying value/ net asset value of the entity and the proceeds from the disposal. At that point all assets and liabilities attributable to the entity disposed of is derecognised, including any goodwill.

The following companies within the group adopted the Department for Business, Innovation and Skills audit exemption for the year ended 31 December 2021. Axios Bidco Limited will guarantee the various debts and liabilities held within these companies as required under section 479A of the Companies Act 2006.

Company	Registration number
The Innovation Group Limited	03256771
The Innovation Group (EMEA) Limited	04261291
Dimo Computing Limited	03693420
EMaC Limited	03158541
Ingleby (1879) Limited	07795097
Innovation Fleet Services Limited	03429434
Innovation Group Business Services Limited	10459758
Motorcare Services Limited	02657470
TiG Acquisitions Holdings Limited	05967175

Investments in subsidiaries in the separate financial statements

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Disposals of investments in subsidiaries are recognised at the point when control is lost and any gain or loss is calculated at this point as the difference between the carrying value of the investment and the proceeds from the sale.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred (typically classified as exceptional items), except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

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1.3 Consolidation (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in the Income Statement.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units ("CGUs") monitored by management, usually at operating segment level or statutory company level as the case may be. A CGU is defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The carrying amount of goodwill allocated to a CGU is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the Group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.4 Financial assets

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Balance Sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

The Group's share of post-acquisition profit or loss is recognised in the Income Statement, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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Accounting Policies

1.4 Financial assets (continued)

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to the Income Statement as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in the Income Statement as part of the gain or loss on disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in the Income Statement in the period in which they are incurred.

Leases which adhere to the requirements of IFRS16 are capitalised as right-of-use assets and are depreciated over the shorter of the expected useful life of the asset or the lease term.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale, is derecognised or becomes fully depreciated to its estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Freehold buildings	Straight line	50 years
Fixtures and fittings	Straight line	4 - 15 years
Motor vehicles	Straight line	4 years
Computer systems and equipment	Straight line	2 - 5 years
Property improvements	Straight line	10 - 15 years
Right-of-use assets	Straight line	Over the lease term

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in the Income Statement.

Impairment tests are performed on property, plant and equipment at least annually and when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in the Income Statement to bring the carrying amount in line with the recoverable amount.

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Accounting Policies

1.5 Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in the Income Statement when the item is derecognised.

1.6 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Group, the Group uses its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group has applied a single discount rate to a portfolio of leases with similar characteristics as a practical expedient as permitted by the standard.

The incremental borrowing rates applied range between 3% and 10% depending on the location of the leased asset. The rate applied is re-assessed at the inception of each new lease.

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Accounting Policies

1.6 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease liability is presented within borrowings on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the Income Statement if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment on the Balance Sheet.

Lease payments included in the measurement of the Right-of-use asset comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

When the Group incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Balance Sheet.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

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Accounting Policies

1.6 Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each period is recognised in the Income Statement.

Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Finance leases

Amounts due from lessees are recognised from commencement date at an amount equal to the Group net investment in the lease. They are presented as lease receivables in the Balance Sheet.

The interest rate implicit in the lease is used to measure the net investment in the lease. If the interest rate implicit in a sublease cannot be readily determined for a sublease, then the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) is used to measure the net investment in the sublease.

The interest rate implicit in the lease is defined in a manner which causes the initial direct costs to be included in the initial measurement of the net investment in the lease.

Lease payments included in the measurement of the net investment in the lease comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives payable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be receivable by the Group from the lessee, a party related to the lessee or a third party unrelated to the Group under residual value guarantees (to the extent of third parties, this amount is only included if the party is financially capable of discharging the obligations under the guarantee);
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option;
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The Group recognises finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment in the lease. Finance income recognised on finance leases is included in investment income in the Income Statement.

The Group applies the impairment provisions of IFRS 9 to lease receivables. Refer to the accounting policy for trade and other receivables as lease receivables are impaired on a consistent basis with that accounting policy.

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Accounting Policies

1.7 Intangible assets (excluding goodwill)

The accounting policy for goodwill is included in the consolidation policy above.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets acquired separately from a business combination are initially recognised at cost. The cost of intangible assets acquired in a business combination is measured at fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale; and
- there is an intention to complete and use or sell it; and
- there is an ability to use or sell it; and
- it will generate probable future economic benefits; and
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The useful lives of intangible assets (excluding goodwill) are assessed to be finite. Internally generated intangible assets are amortised from the point when the asset is available for use.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates with adjustments reflected prospectively. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Trade names	Straight line	8 - 9 years
Proprietary software	Straight line	2 - 5 years
Customer relationships	Straight line	14 - 15 years

1.8 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life such as goodwill or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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Accounting Policies

1.8 Impairment of assets (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in exceptional items.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Income Statement. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in the Income Statement. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income.

Financial assets which are debt instruments:

- Amortised cost; or
- Fair value through other comprehensive income; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

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Accounting Policies

1.9 Financial instruments (continued)

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in the Income Statement with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in administrative expenses excluding exceptional items in the Income Statement as a movement in credit loss allowance.

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made subsequently are recognised in the Income Statement.

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1.9 Financial instruments (continued)

Non-hedging derivatives

Classification

Non-hedging derivatives are classified as mandatorily at fair value through profit or loss.

Recognition and measurement

Derivatives are recognised when the Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in the Income Statement.

Fair value gains or losses are included in finance income/costs.

Borrowings

Classification

Borrowings are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

These are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in the Income Statement in finance costs. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

Trade and other payables

Classification

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

These are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the Income Statement.

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.10 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pounds Sterling, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate; and
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, Group determines a date of transaction for each payment or receipt of advance consideration.

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1.10 Translation of foreign currencies (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual report and financial statements are recognised in the Income Statement in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in the Income Statement, any exchange component of that gain or loss is recognised in the Income Statement.

Cash flows arising from transactions in a foreign currency are recorded in Pounds Sterling by applying to the foreign currency amount the exchange rate between the Pounds Sterling and the foreign currency at the date of the cash flow.

Investments in subsidiaries, joint ventures and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each item of profit or loss are translated at average exchange rates for the period, where this represents a reasonable approximation of actual exchange rates at the date of transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in the Income Statement as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

1.11 Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consists of cash and cash equivalents, as previously defined, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet. Cash and cash equivalents include amounts advanced by customers where use is restricted to handling the customer's activities.

1.12 Discontinued operations and non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such; but rather tested for impairment. Impairment losses on assets and liabilities held for sale are recognised in the Income Statement.

Assets and liabilities classified as held for sale are presented separately in the Balance Sheet.

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Accounting Policies

1.12 Discontinued operations and non-current assets held for sale (continued)

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Income Statement.

When an operation is classified as a discontinued operation, the comparative Income Statement and Cash Flow Statement are reclassified as if the operation had been discontinued from the start of the comparative period.

1.13 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future uncontracted operating losses.

If the Group has a contract that is onerous, the present value of the expected obligation under the contract shall be recognised and measured as a provision.

Contingent liabilities are liabilities that represent a possible obligation arising from a past event whose existence is dependent on one or more uncertain future events not within the control of the Group, or a present obligation where it is possible, but not probable, that an outflow will be required for settlement of the obligation. Contingent liabilities are not recognised, but are disclosed unless the likelihood of the uncertain future event is remote.

In the event of a business combination, contingent liabilities are recognised separately. After the initial recognition, the contingent liabilities are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets, which relate to possible assets and depend on the outcome of uncertain future events, are not recognised. Such an asset is disclosed only where the inflow of economic benefit is probable.

1.14 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/ assets for the current and prior periods are measured at the amount expected to be paid to/ recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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Accounting Policies

1.14 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences that are considered probable to reverse in the foreseeable future, except to the extent that the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, which at the time of the transaction, affects neither accounting profit nor taxable profit/ loss.

A deferred tax asset is recognised for all deductible temporary differences that are considered probable to reverse in the foreseeable future to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised and is reviewed at each balance sheet date.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities or assets are recognised on all temporary differences except in respect of investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future. Deferred tax assets on temporary differences arising on investments in subsidiaries or associates are recognised only to the extent that it is probable the temporary difference will reverse in the foreseeable future.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the Income Statement for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.15 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends are recognised as a liability in the Group in the period in which they are fully authorised and no longer at the discretion of the entity concerned.

1.16 Revenue

The Group derives its revenues primarily from the provision of Business Services to the insurance, fleet, automotive and property industries and software and related services to the insurance sector. In the Business Services division the Group has core competencies in motor and property, particularly in the provision of administration services for first notice of loss, incident management, full claims handling, loss adjusting and service, maintenance policy and warranty administration. In addition, the Business Services division supplies motor parts into its managed network of repairers. The software division provides software to insurance companies through the sale of licences and the building and maintaining of the underlying business systems that are required to manage claims administration and policy processes.

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1.16 Revenue (continued)

Revenue earned by the Business Services Division

The Group receives payments either as principal or agent. This is differentiated by the extent to which the Group is at risk for the gross payment. Where the Group acts as agent for the insurer, the insurer retains complete liability for the cost of settlement of the claim. As a result, even when the Group processes claims settlement costs gross through its own balance sheet, revenue is accounted for on a net basis and comprises fees for administrative and other services. Where the Group retains the liability for the settlement of claims costs, revenue is accounted for gross. Revenues are recognised in line with the delivery of the related services or referred work including, where appropriate, an assessment of accrued income.

The majority of the Group's Business Services revenue is derived from the administration of different parts of the claims management or policy management process. This is predominantly performed for a fixed administration fee or a fixed contractual percentage of the value of any repair. All administration fees are recognised, in accordance with IFRS 15, as the performance obligation is considered to be satisfied. Certain performance obligations, such as the provision of first notice of loss services, are paid by transaction and the transactions can be satisfied over a very short period of time. Revenue on these services is recognised as the transactions occur. Other performance obligations, such as the administration of motor service plans, or the administration of a subsidence claim will be delivered over a longer period of time. The key revenue streams are detailed below, and unless otherwise indicated may apply to the motor or property sector:

Key Business Services revenue streams

Incident management. Once the Group has been advised of a claim, either by taking an emergency roadside call or after being notified by the insurer, the Group assesses the claim, whether motor or property, and deploys the repair into its network of managed body shops or property contractors. Revenue is a fixed contracted percentage of the repair and is received from the repairer not the insurer. Revenue is recorded net as the Group acts as agent and takes no liability for the settlement of the claim and is recognised on a claim by claim basis at the point of deployment into the network as this is where the administration effort is substantially complete. Volume rebates are received from a number of suppliers. These rebates are recognised in line with the term of the related contract, be it annual or over a longer period. The Group also handles the payment process on behalf of the client however, effort is minimal and deemed perfunctory. The Group has an identical methodology for the servicing of vehicles except, in this instance, the customer is generally a fleet company.

Loss adjusting. Loss adjusting services may be performed as a stand-alone service for those insurers who do not take the end-to-end claims service. For both motor and property claims the Group performs the determination and approval of the repair on behalf of the insurer. An administration fee is recognised as revenue at the point of delivery of the loss adjuster's report when the service is complete.

Car hire and leasing. The Group promotes special offers to clients acting as an agent to the leasing company and receives a commission for the service which is recognised as revenue as an agent when the lease is signed.

Sale of Motor Parts. In certain geographies the Group supplies motor parts to its network of repairer garages. The Group's business model is for these goods to be delivered directly from the supplier to the customer and as a result it does not take inventory risk. However, the Group is exposed to the credit and supply of its counterparties and consequently recognises the transaction gross, in the Income Statement. Revenue is recognised at the point of despatch from the supplier to the customer.

Service Plans. In the UK, the Group has contracts with a number of motor manufacturers and motor retailers to administrate service plans for motor vehicles. The Group earns administration fees over the life of the service plan, and from charges levied on administration of direct debit instalments. Volume rebates are due to a number of customers and are recognised in line with the term of the contractual agreements. Revenue is recognised net of rebates over the life of a service plan.

Service and Maintenance Plans. In South Africa the Group has contracts with a number of motor manufacturers, dealer groups and banks to provide services in relation to automotive service and maintenance plans for a fixed fee. Contracts can be either off-risk where the Group typically provides administration services or on-risk where in addition the Group has assumed the liability of the service cost (see below).

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Accounting Policies

1.16 Revenue (continued)

Off-risk plans

In the case of off-risk plans the Group receives a fee per vehicle per month for the administration of the policy. These can be paid either monthly or in advance. In all cases revenue and profits are recognised evenly over the term of the policy. In addition, in certain cases, to the extent the Group is able to manage a specified book of policies to settlement below a contracted benchmark it is entitled to a share of the savings on a percentage basis as determined by the contract. Based on prior experience of a significant number of similar claims the Group is reliably able to estimate these savings and revenue and profit is recognised as this service is delivered.

On-risk models

Service and maintenance plans. On-risk service and maintenance plans may be term or monthly policies. These are deemed on-risk as the Group bears all liability for the service / maintenance costs and receives all the benefit should a portfolio of policies be settled below the premium price and is on-risk should total costs exceed the premium. The plans are priced based on the estimated cost of the specified services plus an administration fee and third-party commission.

Service and maintenance plans – term policies. Revenues and profits in respect of the fund portion are recognised over the life of the policy based in line with estimated future service costs. Future costs are estimated using an actuarial curve derived from historic experience of costs incurred on similar policies. The costs of services are recognised as incurred.

Service and maintenance plans – monthly policies. In the case of monthly policies the total premium is recognised monthly as received with no distinction between administration fee and fund. The costs of the services are recognised as incurred, which is considered an even distribution of cost in line with revenues across a large book of plans.

Property subsidence claims. The handling of subsidence claims, only performed in the UK, is by its nature a more lengthy process than motor and property repair claims, with the settlement of some claims spanning more than one accounting period. The Group recognises administration fees and profit shares on subsidence claims on an activity basis. Revenue from profit shares are only recognised when it is reliably certain that no future reversals will occur. This is considered to be at the point when less than 1% of the total book value remains open and qualitative aspects are also reliably certain. This can cause fluctuations in the recognition of revenue.

In general, where the Group is involved in the administration of the settlement of a claim a fixed contractual fee is received. For some contracts, the Group has entered into a 'risk and reward' model. On-risk models result when the Group shares, in part or fully, in the savings or losses generated from the settlement of a claim, or portfolio of claims, against a contracted benchmark.

For on-risk contracts, the administration fee is either fixed in the contract or separately allocated from the fees received using evidence of fair value determined from the administration only contracts.

The Group has a number of contracts which generate revenue based on the Group's ability to settle a portfolio of notified claims within a specific period below a contractually agreed benchmark. Revenue is measured on these contracts to the extent that the saving attributable to the Group has been delivered and can be reliably measured. An average settlement per claim is calculated, being the actual cost on all closed claims in the population plus an estimate to settle all remaining open claims, adjusted by a deterioration factor to allow for the worsening of claims, divided by the number of claims in the population. Provided this average cost per claim is lower than the contractual benchmark, revenue is recognised on an activity basis.

Where the average settlement per claim is calculated to be higher than the benchmark, the Group may become liable for a capped amount of excess and will provide in full for any exposure.

These on risk contracts may be funded either through the customer's own bank account, through an Innovation Group bank account funded by the customer or in limited situations through the Group's own bank account with the Group taking prime responsibility for the settlement. For these on risk contracts, to the extent funds flow through the Group's bank accounts, they will be accounted for on a gross basis in the Balance Sheet.

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Accounting Policies

1.16 Revenue (continued)

Revenue earned by the Software Division

Initial Licence Fees

Revenues are recognised when persuasive evidence of an arrangement exists, delivery has occurred, the licence fee is fixed or determinable, the collection of the fee is reasonably assured, no significant obligations with regard to installation or implementation of the software remain, and customer acceptance, when applicable, has been obtained.

Maintenance Services

Maintenance services are typically billed on an annual basis in advance. The Group recognises this revenue on a monthly basis over the period of the contract on a straight line basis.

Hosting Services

Where hosting is provided as part of a new solution sale, the hosting revenue stream will either be negotiated as a distinct separable element within the overall contract or will have a fair value attributed to it from the overall revenue stream generated. This is recognised ratably as the service is provided over the term of the contract.

1.17 Interest income

Interest is recognised in the Income Statement, using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

1.18 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.19 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the Balance Sheet by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

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Accounting Policies

1.20 Exceptional Items

The Group classifies items of income and expense as exceptional items, where the nature of the item is non-recurring so as to assist the user of the consolidated financial statements to better understand the results of the operations of the group. Exceptional items are disclosed separately in the primary statements. Exceptional items primarily relate to impairments, restructuring and refinancing costs, legal and labour dispute settlements, non-recurring uncapitalised development and implementation costs of internally generated software, gains or losses outside the normal scope of business and provisions relating to historic loss-making contracts. These are added back when calculating the Group's adjusted EBITDA*.

* EBITDA is an adjusted performance measure consisting of profit before interest, tax, depreciation, amortisation and exceptional items.

1.21 Critical Accounting Judgements and Estimates

The preparation of Financial Statements requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

There are no identified critical accounting judgements whereby a reasonable change in the next 12 months would give rise to a material impact on the financial statements.

Critical Accounting Estimate

The following are the critical accounting estimates that the Directors believe could reasonably move by an amount that could cause a material impact on the financial statements in the next 12 months:

Impairment of goodwill and intangible assets

Determining whether the carrying value of goodwill and intangible assets is at risk of impairment involves a number of estimates, which includes the value of cash flows estimated to be generated from the asset in the future (initially driven by the budget for the following financial year) and the discount rate to be applied to these cash flows so that an assessment of their net present value can be made. This is tested annually. The recoverable amounts of CGUs have been determined based upon value in use calculations. The key estimates within the calculations are:

- Forecast future cash flows;
- Discount rates; and
- Growth rates and terminal growth rates.

If the estimates supporting the calculated value of goodwill are over optimistic, including the assumed revenue growth and cost savings arising from transformation, then the Group is at risk of overstating the value of the asset and hence overstating profits.

Detail of how these estimates are derived is included in note 11.

Details of the specific rates used and the value of any amounts which have been written off within administrative expenses in the income statement and are detailed in notes 11 and 12 and sensitivity analysis in note 11.

Other important Accounting Estimates and Judgements

The following are other important estimates and judgements that the Directors have made within the Financial Statements:

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Accounting Policies

1.21 Critical Accounting Judgements and Estimates (continued)

Revenue recognition

Revenue recognition on on-risk revenue share arrangements (and associated contract loss provisions)

There are a number of key estimates and judgements that are required to be made in regards to establishing the revenue recognition profile on revenue share arrangements.

For the on-risk contracts handled by the UK subsidence business, these include:

- Development of actuarial claims curves used in fee recognition;
- The levels of outstanding recoveries to be made on a portfolio of claims;
- The level of potential increase in the settlement value for open claims within a portfolio;
- The projection of the ultimate settlement value for a portfolio of claims;
- The costs to complete on a "work-in-progress" run off book, no revenue is recognised until costs to complete are less than 1% of the total costs; and
- The number of claims left open, no revenue is recognised until 3 or fewer claims remain.

As no revenue has been recognised for on-risk claims in the UK, the judgement is deemed to be in respect of point of recognition, as opposed to the accuracy.

For the on-risk service and maintenance plans handled by the South African motor business, these include:

- Development of actuarial claims curves;
- The cancellation rate of policies sold;
- The number of services taken under a policy; and
- The number of policies that may lapse.

For the on-risk contracts with fixed fee elements and the off-risk contracts all handled by the UK subsidence business this includes:

- Development of actuarial claims curves.

For the warranty plans administered by the South African motor business and written through the associate cell captive, these include:

- Development of actuarial claims curves;
- Levels of costs incurred on inception of a plan; and
- The number of policies that may lapse.

For contract loss provisions, these include:

- Future claims levels; and
- Cost of settlement of future claims.

Amendments to estimates may impact the revenue and EBITDA recognised in a period.

The Group uses past experience to inform estimates and where necessary uses third party specialist advice to develop revenue recognition curves.

Please refer to notes 3 and 24.

Contract-related matters

From time to time contractual issues arise whose resolution is uncertain and could impact the Group's future earnings. The Directors make their best estimate in determining the likely outcome and take account of the advice of legal experts where necessary in making these judgements.

If the outcome of such matters differs from the best estimates made by the Directors, it could materially impact the Group's future reported earnings.

Please refer to note 25.

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Accounting Policies

1.21 Critical Accounting Judgements and Estimates (continued)

Cell captives as associates

The warranty plans administered by the South African motor business are written through associate cell captives which are managed by third-party insurance companies. As the Group does not directly manage and control the cell the Group judges and treats it as associates rather than fully consolidated as a subsidiary undertakings.

Fully consolidating these cell captives would bring all assets and liabilities gross on to the Consolidated Balance Sheet.

Investment value is £7.8m (2020: £7.4m). Please refer to note 14.

Deferred Taxation

Deferred tax assets are recognised where management believe that the availability of future profits is reasonably assured and hence available losses are likely to be utilised.

If the estimates supporting future available taxable profits are optimistic then the Group is at risk of overstating the value of deferred tax assets.

At 31 December 2021, the Group has recognised £8.7m (2020: £9.1m) of deferred tax assets and has gross unrecognised temporary differences of £485m (2020: £404m). Please refer to note 15.

Capitalisation of Proprietary Software Development Costs

Judgement is required to determine that only applicable costs are capitalised and that the carrying value of the asset at each reporting period is supported by the net present value of future cash flows to be derived from it.

Inappropriate capitalisation of costs would improve profitability as costs would be put on the Balance Sheet rather than expensed through the Income Statement.

The carrying value of Proprietary Software is at risk of being overstated if the Group's future transformation initiatives change the development roadmap.

The value of internally generated software capitalised in the period was £10.3m (2020: £8.1m). See note 12.

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Notes to the Annual Report and Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	The impact of the amendments is not material.
• COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 2020	The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are applicable for the Group's accounting periods beginning on or after 01 January 2022:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Not expected to have a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Not expected to have a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Not expected to have a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2024	Not expected to have a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Not expected to have a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Not expected to have a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Not expected to have a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Not expected to have a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Not expected to have a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Not expected to have a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Not expected to have a material impact

Note that these statements are not yet endorsed by the UK.

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Notes to the Annual Report and Financial Statements

	12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 (Restated) £ '000
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3. Revenue

Revenue from contracts with customers

Sale of goods	42,105	44,989
Rendering of services	138,109	177,432
	180,214	222,421

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Sale of goods

Sale of parts	42,105	44,989
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Rendering of services

Business and software services	138,109	177,432
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Total revenue from contracts with customers

	180,214	222,421
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Timing of revenue recognition

At a point in time

Sale of goods	42,105	44,989
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Over time

Rendering of services	138,109	177,432
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Total revenue from contracts with customers

	180,214	222,421
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No revenue was derived from exchanges of goods or services.

Revenue for the comparative period was restated. Please refer to note 31 for further details of the restatement.

Contract liabilities as at 31 December 2020 of £40.3m have been recognised as revenue in the year. £17.2m of revenue has been recognised in year from performance obligations satisfied in the prior period.

The geographical split of revenue is analysed as follows:

United Kingdom	52,368	63,961
Rest of Europe	76,174	90,097
Rest of World	51,672	68,363
	180,214	222,421

The Group has recognised the following assets and liabilities related to contracts with customers:

Contract liabilities	(48,082)	(53,714)
Contract assets	18,354	17,163
	(29,728)	(36,551)

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	12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 £ '000
4. Exceptional items		
Disposal related	82	643
Legal fees	571	931
Software related expenses	3,674	1,362
Software licence sales	-	(1,768)
Refinancing	2,926	2,610
Restructuring costs	1,250	6,259
Impairments	456	68,945
Provisions	691	(5,580)
Other exceptional costs	-	217
VAT refunds on exceptional costs	8	(2,154)
Total exceptional items included within administrative expenses	9,658	71,465

Significant costs that are one-off in nature and not part of the recurring business have been recorded as exceptional:

Disposal related – Profits and losses relating to the sale and closure of businesses - note 19 and note 20.

Legal fees – consists of legal fees falling outside of the above-mentioned categories pertaining to once off events.

Software related expenses - includes software implementation costs not capitalised.

Software licence sales - relates to the licencing of software to an acquirer of a business disposed of.

Refinancing – professional fees incurred during the refinancing process.

Restructuring costs – includes one-off costs relating to office relocations, retrenchments and additional audit fees.

Provisions – relate mainly to onerous and terminated contract provisions raised or released described in note 25. Where provisions raised were treated as exceptional costs in previous periods when provisions were recognised, provision releases are also classified as exceptional items.

VAT refunds on exceptional costs - relate to expenditure that was previously recorded under exceptional items inclusive of VAT and whereby a VAT claim has subsequently been filed successfully and the VAT has been refunded.

Impairments – £0.4m (2020: £68.9m) consist of impairments of property, plant and equipment (2020: goodwill and intangibles) as shown in the table below.

	12 months to 31 December 2021		15 months to 31 December 2020		
	Property, plant and equipment £'000	Total £'000	Goodwill £'000	Intangibles £'000	Total £'000
UK	456	456	9,453	9,512	18,965
Central Europe	-	-	2,593	-	2,593
South Africa	-	-	34,228	-	34,228
Asia Pacific	-	-	-	185	185
USA	-	-	8,453	4,511	12,964
Western Europe	-	-	-	10	10
	456	456	54,727	14,218	68,945

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	12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 £ '000
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5. Operating loss

Operating loss from continuing operations for the year is stated after charging/(crediting) the following, amongst others:

Depreciation - owned assets	1,889	2,383
- leased assets	3,174	5,182
Amortisation of intangible assets	14,404	18,084
Operating lease payments - buildings	279	355
Operating lease payments - other	40	-
Auditors' remuneration (1) - audit of the Group financial statements	364	352
- local statutory audits for subsidiaries	608	640
- all other services	21	18
Exchange losses	15	551
Loss on disposal of property, plant and equipment	1,211	303
Loss on disposal of intangible assets	849	-

(1) Auditors' remuneration includes fees related to the discontinued business.

Employee costs

Wages and salaries	62,017	79,584
Social security costs	6,039	7,632
Other pension costs	1,315	2,011
Directors' remuneration	1,040	1,205
Total employee costs	70,411	90,432

Headcount - average number of employees

Administration	18	27
Business services	2,106	2,164
Software developers	74	77
	2,198	2,268

The highest paid Director received £ 552,000 for the year ended 31 December 2021 (£ 698,126 for the 15 months ended 31 December 2020).

No Directors made contributions to a pension scheme or received pension contributions from the Group in the period (2020: One director - £1k).

Certain of the Directors were representatives of the Group's shareholders and have not received any remuneration from the Group during the period.

A number of the Directors waived emoluments during the prior period in response of the Covid 19 pandemic. Total emoluments waived were £Nil (2020:£46,937).

6. Finance income

Bank and other cash	725	558
Finance lease receivables	4	-
Other interest received	-	523
Total finance income	729	1,081

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	12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 £ '000
7. Finance costs		
Interest payable on super senior debt	503	2,927
Interest payable on senior debt	9,871	12,596
Interest payable on priority debt	868	-
Net foreign exchange gains on foreign currency borrowings	(2,243)	-
Amortisation of arrangement fee	340	353
Bank loans and overdraft	186	1,504
Interest payable on finance leases	656	826
Total finance costs	10,181	18,206

8. Total tax (charge)/ credit

Major components of the tax charge/ (credit)

Current tax

Current tax on losses for the period - Continuing operations	2,030	3,539
Current tax on losses for the period - Discontinued operations	-	2
Adjustments for current tax of prior periods	(31)	402
Total current tax expense	1,999	3,943

Deferred tax

Deferred income tax adjustments for current period	(1,129)	(4,599)
Deferred income tax adjustments for prior periods	(64)	57
Total deferred tax credit	(1,193)	(4,542)
Total tax credit	806	(599)

Reconciliation of the tax credit

The tax credit for the period can be reconciled to the profit per the Consolidated Income Statement as follows:

Group loss before tax on continuing operations	(21,781)	(88,688)
Group loss before tax on discontinued operations	-	(155)
	(21,781)	(88,843)
Tax at the applicable tax rate of 19% (2020: 19%)	(4,138)	(16,880)
Tax effect of adjustments on taxable income		
Expenses not deductible for tax purposes	110	10,287
Rate differences of overseas earnings	(698)	2,437
Transfers to unrecognised deferred tax assets	5,627	3,236
Prior year adjustments	(95)	459
Other taxes	-	(53)
Changes in tax rates	-	(85)
Total tax credit	806	(599)

There is no tax income or expense arising from any of the items recognised in Other Comprehensive Income in the current or prior period.

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	12 months ended 31 December 2021 £ '000	15 months ended 31 December 2020 £ '000
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9. Dividends paid

Dividends on ordinary shares paid to interests of subsidiary undertakings:

Innovation Group South Africa (Proprietary) Limited	512	1,319
NetSol - Innovation (Private) Limited	-	1,080
	512	2,399

The Directors do not propose a final dividend in respect of 2021 (2020: £Nil).

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10. Property, plant and equipment

Reconciliation of property, plant and equipment

	Land and freehold buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer systems and equipment £'000	Property improvements £'000	Right of use asset £'000	Total £'000
Cost							
At 01 October 2019	4,168	2,439	218	8,929	1,795	-	17,549
Additions	492	171	19	711	33	-	1,426
Effect of transition to IFRS 16	-	-	-	-	-	11,929	11,929
Disposals	-	(873)	(11)	(340)	(150)	(1,434)	(2,808)
Transfers from intangible assets	(187)	(45)	45	(470)	-	404	(253)
Reclassifications	-	(6)	8	(10)	7	-	(1)
Foreign exchange movements	(1)	(132)	(12)	(75)	(72)	169	(123)
At 31 December 2020	4,472	1,554	267	8,745	1,613	11,068	27,719
Additions	-	874	-	1,103	536	-	2,513
Additions through leasing	-	-	-	-	-	5,812	5,812
Disposals	(70)	(319)	(4)	(857)	(537)	(2,777)	(4,564)
Transfers	-	61	41	-	(3)	-	99
Foreign exchange movements	-	(91)	(20)	(224)	(96)	(537)	(968)
At 31 December 2021	4,402	2,079	284	8,767	1,513	13,566	30,611

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10. Property, plant and equipment (continued)

Accumulated depreciation and impairment

	Land and freehold buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer systems and equipment £'000	Property improvements £'000	Right of use asset £'000	Total £'000
At 01 October 2019	(511)	(1,135)	(35)	(5,580)	(818)	-	(8,079)
Disposals	-	677	11	232	150	1,434	2,504
Reclassification	-	6	-	(1,068)	250	813	1
Depreciation	(164)	(696)	(71)	(1,066)	(386)	(5,182)	(7,565)
Foreign exchange movements	-	59	(2)	401	39	(97)	400
At 31 December 2020	(675)	(1,089)	(97)	(7,081)	(765)	(3,032)	(12,739)
Disposals	-	284	-	826	448	1,795	3,353
Transfers	-	(62)	(41)	291	3	(290)	(99)
Depreciation	(103)	(467)	(55)	(957)	(307)	(3,174)	(5,063)
Impairment loss recognised in the Income Statement	-	-	-	-	-	(456)	(456)
Foreign exchange movements	-	41	11	190	36	210	488
At 31 December 2021	(778)	(1,293)	(182)	(6,731)	(585)	(4,947)	(14,516)

Carrying amount

Cost	4,472	1,554	267	8,745	1,613	11,068	27,719
Accumulated depreciation and impairment	(675)	(1,089)	(97)	(7,081)	(765)	(3,032)	(12,739)
At 31 December 2020	3,797	465	170	1,664	848	8,036	14,980
Cost	4,402	2,079	284	8,767	1,513	13,566	30,611
Accumulated depreciation and impairment	(778)	(1,293)	(182)	(6,731)	(585)	(4,947)	(14,516)
At 31 December 2021	3,624	786	102	2,036	928	8,619	16,095

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10. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

Refer to note 22 for details of security existing on the above assets.

All assets within Land and buildings are freehold. Freehold land included within Land and buildings amounts to £1,826,000 (2020: £1,826,000). In accordance with IAS 16, this is not depreciated.

Net carrying amounts of leased assets

	2021 £ '000	2020 £ '000
Buildings	8,217	7,934
Motor vehicles	401	102
Computer systems and equipment	1	-
	8,619	8,036

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11. Goodwill

Reconciliation of goodwill

	Goodwill £'000
Cost	
At 01 October 2019	348,205
At 31 December 2020	348,205
At 31 December 2021	348,205
Amounts provided	
At 01 October 2019	(231,918)
Impairment loss	4 (54,727)
At 31 December 2020	(286,645)
At 31 December 2021	(286,645)

Carrying amount

Cost	348,205
Accumulated amortisation and impairment	(286,645)
At 31 December 2020	61,560
Cost	348,205
Accumulated amortisation and impairment	(286,645)
At 31 December 2021	61,560

The carrying amount of goodwill allocated to Cash Generating Units ("CGUs") is as follows:

	31 December 2021 £ '000	31 December 2020 £ '000
Central Europe	60,204	60,204
South Africa	1,356	1,356
	61,560	61,560

Goodwill is allocated to a regional CGU as either Business Services or Software unless the acquisition is not immediately integrated into the existing businesses of that CGU. In which case, goodwill arising on acquisition is allocated to its own separate CGU until such a time that the business is integrated.

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11. Goodwill (continued)

Goodwill acquired in a business combination is allocated to CGUs. The Group conducts annual impairment tests on the carrying value of goodwill using value in use calculations. The key assumptions for the value in use calculations are the discount rate applied, forecast cash flows and the long-term growth rate of net operating cash flows.

Management has prepared a budget for the FY22 year, which has been approved by the Board and forecasts have been prepared for the FY23-24 periods. Cash flows beyond the forecast period are extrapolated using expected long-term growth rates. Further information on the assumptions used within the major CGUs is detailed below.

Key Assumptions Used in Value in Use Calculations

The calculation of value in use for all of the business units is most sensitive to the following assumptions:

- forecast cash flow; and
- discount rates; and
- growth rates and terminal growth rates used to extrapolate cashflow beyond the budget period.

The forecast cash flow is based on management's budget and forecasts of EBITDA which are based upon both past performance and experience together with changes anticipated following expected developments within each location and operating segment. EBITDA is defined as operating profit after adding back depreciation, amortisation and exceptional items. EBITDA is then adjusted by other cash items such as capital expenditure to determine the forecast cash flow assumption.

Discount rates reflect management's estimation of the rate of return that would be expected from a rational investor over the period of the forecast, should the CGU be independent of the Group's capital structure. In determining these rates management has reflected specific risks relating to the relevant operating segments. Specific details of the discount rates for each CGU are provided below.

The growth rates used for periods beyond management developed forecasts are shown below and reflect an estimate of long-term growth rates in the regions in which the Group operates.

	31 December 2021			31 December 2020		
	EBITDA growth rate year 4-5	Terminal growth rate	Pre-tax discount rate	EBITDA growth rate year 4-5	Terminal growth rate	Pre-tax discount rate
UK	4-5 %	2 %	12.96 %	4 %	2 %	14.81 %
Central Europe	4-5 %	2 %	13.57 %	4 %	2 %	15.00 %
Western Europe	2 %	- %	16.00 %	2 %	- %	16.00 %
South Africa	4-5 %	4 %	20.83 %	4 %	4 %	23.61 %
Asia Pacific	2 %	3 %	15.71 %	2 %	2 %	17.14 %
North America	5-6%	2 %	13.29 %	5 %	2 %	15.19 %

Further details on the main CGUs with material goodwill balances are detailed below:

Central Europe - This CGU represents the Services businesses in Germany and Poland.

South Africa - This CGU represents the Services businesses in South Africa, Botswana, Namibia and Mauritius.

Impairment

Goodwill balances within the UK, Western Europe, Asia Pacific and North America are fully impaired, therefore an annual impairment test is performed for the recoverability of other intangible assets and property, plant and equipment.

The impairment review performed at the period-end did not identify projected underperformance in Central Europe or South African (2020: underperformance in the UK, Central Europe and South African) businesses compared to the investment case at acquisition and accordingly no impairment charge was booked in the period. The impairment recorded was £Nil (2020: £54.7m) to goodwill, £Nil (2020: £14.2m) to other intangible assets and £0.5m (2020: £Nil) to property, plant and equipment.

For the Central Europe and South African CGUs, which are presented at their calculated value in use, any changes to the assumptions outlined above, for example, an increase to the discount rate or lower growth than expected, could result in impairment.

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11. Goodwill (continued)

Impact of changes in key assumptions

The following table details the sensitivities to the key assumptions used by the impairment test review. It details the impact on impairment to the CGU of a 1% movement in the key assumptions:

Goodwill and Intangibles	Central Europe £'000	South Africa £'000	Total £'000
Reduction in growth rates year 4-5 by 1%	(2,533)	(424)	(2,957)
Reduction in terminal growth rate by 1%	(15,874)	(1,795)	(17,669)
Combined sensitivity to growth rates	(18,407)	(2,219)	(20,626)
Sensitivity to discount rates – increase by 1%	(20,024)	(2,532)	(22,556)
Combined sensitivity to growth rates and increase in discount rates	(38,431)	(4,751)	(43,182)
Sensitivity to discount rates – decrease by 1%	42,477	4,844	47,321
Combined sensitivity to growth rates and decrease in discount rates	24,070	2,625	26,695

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12. Intangible assets (excluding goodwill)

	Trade names £'000	Proprietary software £'000	Customer relationships £'000	Order book £'000	Total £'000
Cost					
At 01 October 2019	14,586	59,605	121,614	3,602	199,407
Additions	-	8,091	-	-	8,091
Transfers to property, plant and equipment	-	253	-	-	253
Foreign exchange movements	-	80	-	-	80
Reclassification	-	11	-	-	11
At 31 December 2020	14,586	68,040	121,614	3,602	207,842
Additions	-	10,325	-	-	10,325
Disposals	-	(1,501)	-	-	(1,501)
Foreign exchange movements	-	(323)	-	-	(323)
At 31 December 2021	14,586	76,541	121,614	3,602	216,343
Accumulated amortisation and impairment					
At 01 October 2019	(5,987)	(32,411)	(34,867)	(3,602)	(76,867)
Amortisation	(1,790)	(6,820)	(9,474)	-	(18,084)
Impairment loss	(1,429)	-	(12,789)	-	(14,218)
Foreign exchange movements	-	(62)	-	-	(62)
Reclassification	-	(11)	-	-	(11)
At 31 December 2020	(9,206)	(39,304)	(57,130)	(3,602)	(109,242)
Disposals	-	652	-	-	652
Amortisation	(1,317)	(5,980)	(7,107)	-	(14,404)
Foreign exchange movements	-	216	-	-	216
At 31 December 2021	(10,523)	(44,416)	(64,237)	(3,602)	(122,778)
Carrying amount					
Cost	14,586	68,040	121,614	3,602	207,842
Accumulated amortisation and impairment	(9,206)	(39,304)	(57,130)	(3,602)	(109,242)
At 31 December 2020	5,380	28,736	64,484	-	98,600
Cost	14,586	76,541	121,614	3,602	216,343
Accumulated amortisation and impairment	(10,523)	(44,416)	(64,237)	(3,602)	(122,778)
At 31 December 2021	4,063	32,125	57,377	-	93,565

Other information

Amortisation of continuing operations for the period accounted for £14.4m (2020: £18.1m). All amortisation is charged through administrative expenses in the Income Statement.

All intangible assets are internally generated or acquired.

No intangible assets have an indefinite life. The remaining lives of the intangible assets are: proprietary software 1-5 years, customer relationships 10 -11 years and trade names 5 years.

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13. Interests in subsidiaries

Subsidiaries with material non-controlling interests

Set out below is the summarised financial information for Innovation Group (Pty) Limited being the subsidiary at 31 December 2021 which has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2021	2020
Innovation Group (Pty) Ltd	South Africa	25 %	25 %

The country of incorporation and the principal place of business are the same.

The percentage ownership interest and the percentage voting rights of the non controlling interests are the same.

Summarised balance sheet

	Innovation Group (Pty) Ltd	
	31 December 2021 £'000	31 December 2020 £'000
Assets		
Non-current assets	16,080	13,706
Current assets	26,668	28,051
Total assets	42,748	41,757
Liabilities		
Non-current liabilities	12,378	13,403
Current liabilities	18,087	18,963
Total liabilities	30,465	32,366
Total net assets	12,283	9,391
Carrying amount of non-controlling interest	3,071	2,348

Summarised statement of comprehensive income

	Innovation Group (Pty) Ltd	
	12 months ended 31 December 2021 £'000	15 months ended 31 December 2020 £'000
Revenue	42,271	51,420
Profit for the period	4,898	7,360
<i>Total comprehensive income</i>	<i>4,898</i>	<i>7,360</i>
Profit allocated to non-controlling interest	1,225	1,940
Dividends paid to non-controlling interest	512	2,399

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13. Interests in subsidiaries (continued)

Summarised cash flows

	Innovation Group (Pty) Ltd	
	12 months ended 31 December 2021 £'000	15 months ended 31 December 2020 £'000
Cash flows from operating activities	5,187	6,951
Cash flows from investing activities	(1,020)	886
Cash flows from financing activities	(2,988)	(5,293)
Net increase in cash and cash equivalents	1,179	2,544

14. Financial assets

Name of company	Country of incorporation	% ownership interest 2021	% ownership interest 2020	Carrying amount 31 December 2021 £'000	Carrying amount 31 December 2020 £'000
Guardrisk Insurance Company Limited	South Africa	100.00 %	100.00 %	7,306	7,008
Momentum Insurance Limited	Namibia	100.00 %	100.00 %	501	435
				7,807	7,443

*The country of incorporation and the principal place of business are the same.

Financial assets consist of 100% investments in cell captives within Guardrisk Insurance Company Limited and Momentum Insurance Limited held by IG (SA) Proprietary Limited.

The Directors have concluded that the Group exercises significant influence but is unable to exercise control.

Financial assets

	Financial assets £'000
At 1 October 2019	5,855
Share of profit retained for the year	1,908
Foreign exchange	(320)
Carrying value as at 31 December 2020	7,443
Share of profit retained for the year	910
Foreign exchange	(546)
Carrying value as at 31 December 2021	7,807

Financial assets held at 31 December 2021 are accounted for at cost less any provision for impairment, where reliable fair values are not available. Where reliable market values are available, other investments are stated at this amount.

Distributions in the period of £Nil (2020: £Nil) relate to dividends received from associates.

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	31 December 2021 £ '000	31 December 2020 £ '000
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15. Deferred tax

Deferred tax liability

Intangible assets	(17,367)	(18,728)
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Deferred tax asset

Short-term temporary differences	8,528	6,467
Tax losses available for set off against future taxable income	163	2,596
Total deferred tax asset	8,691	9,063

The deferred tax assets and the deferred tax liability that relate to income tax in the same jurisdiction, where the law allows net settlement, have been offset in the balance sheet as follows:

Deferred tax liability	(17,367)	(18,728)
Deferred tax asset	8,691	9,063
Total net deferred tax liability	(8,676)	(9,665)

Reconciliation of deferred tax asset / (liability)

At the beginning of the period	(9,665)	(16,311)
Decrease in tax loss available for set off against future taxable income - gross of valuation allowance	(2,430)	(1,708)
Unremitted earnings	-	165
Decelerated capital allowances	-	(350)
Release of deferred tax on acquired intangibles	1,421	6,435
Other short-term temporary differences	2,268	2,415
Foreign exchange	(270)	(311)
At the end of the period	(8,676)	(9,665)

Deferred tax assets and liabilities are measured by reference to the tax rates that are expected to apply in the period when the relevant asset is realised or liability settled, based on the tax rates that have been substantively enacted at the balance sheet date. The Finance Act 2021 was substantively enacted on 24 May 2021 and sets the main UK rate for corporation tax for the period to 31 March 2023 at 19%, after which time it would increase to 25%.

Deferred tax liabilities are released as the underlying intangible assets are amortised. The credit arising is offset in the UK, Germany Australia and the USA by the corresponding de recognition of deferred tax assets on trading losses or other timing differences which the Group recognises only to the extent that deferred tax liabilities have arisen in the same territory.

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	31 December 2021 £ '000	31 December 2020 £ '000
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15. Deferred tax (continued)

Recognition of deferred tax asset

The Group's policy is to look forward one accounting period when assessing future utilisation of deferred tax assets. However, where territories have consistently proven to be profitable, a deferred tax asset has been recognised on the basis that a longer forecast period of utilisation is appropriate. The deferred tax asset recognised at 31 December 2021 is £8.7m (2020: £9.1m).

Unrecognised temporary differences

Decelerated capital allowances	6,619	13,138
Other timing differences	71,825	33,782
Tax losses - income	248,825	199,094
Tax losses - capital losses	157,854	157,854
	485,123	403,868

Unrecognised deferred tax assets largely relate to carried forward tax losses which are available for offset against future profits of the companies, primarily in the UK, in which the losses have arisen. These assets have not been recognised on the basis that there is insufficient evidence that the asset will be recoverable at the balance sheet date. The assets will only be recognised if future taxable profits become probable against which they can be utilised.

It is likely that the majority of the unremitted overseas earnings would qualify for the UK dividend exemption introduced by Finance Act 2009 and therefore no tax liability is expected to arise on the repatriation of the earnings from overseas subsidiaries and associates. At 31 December 2021 no provision is held for irrecoverable withholding tax on unremitted earnings (2020: £Nil).

16. Trade and other receivables

Financial instruments:

Trade receivables from contracts with customers	36,962	31,077
Loss allowance	(2,870)	(4,171)
Trade receivables - net	34,092	26,906
Contract assets	18,354	17,163
Stocks	83	213
Other debtors	2,847	3,188
Total trade and other receivables	55,376	47,470

Split between non-current and current portions

Non-current assets	56	-
Current assets	55,320	47,470
	55,376	47,470

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16. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

Trade receivables are non-interest bearing and on average have 30 to 60 day settlement terms. The credit quality of the trade receivables is considered by management to be very good as a high proportion of customers are large global companies with whom the Group trades on a long-term basis. Management do not consider that there is a significant concentration of credit risk due to the spread of trade receivables across the global business. None of the contract assets or other debtor balances are considered impaired.

Expected credit loss rate:

Less than 30 days past due
31 - 60 days past due
61 - 90 days past due
91 - 120 days past due
More than 120 days past due
Total

31 December 2021	31 December 2021	31 December 2020	31 December 2020
Estimated gross carrying amount at default £'000	Loss allowance (Lifetime expected credit loss) £'000	Estimated gross carrying amount at default £'000	Loss allowance (Lifetime expected credit loss) £'000
-	64	-	93
5,440	226	4,433	329
982	548	1,363	797
507	839	370	1,219
5,260	1,193	6,066	1,733
12,189	2,870	12,232	4,171

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses):

	31 December 2021 £ '000	31 December 2020 £ '000
Opening balance in accordance with IFRS 9	4,171	2,779
Provision raised on new trade receivables	663	2,099
Provisions reversed on settled trade receivables	(1,197)	(67)
Foreign exchange gains or losses	(339)	(27)
Loss allowance utilised	(428)	(601)
Disposed of with subsidiary	-	(12)
Closing balance	2,870	4,171

The loss allowance is determined by applying the average default rate experienced over the past two years to the current period trade receivables. The historical default rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

The maximum exposure to credit risk at the year-end is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Exposure to currency risk

The Group is exposed to currency risk related to trade receivables because of foreign operations denominated in foreign currencies. The currencies in which the Group deals primarily are US Dollars, Euros, South African Rands and Australian Dollars.

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	31 December 2021 £ '000	31 December 2020 £ '000
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16. Trade and other receivables (continued)

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

The net carrying amounts, in Pounds Sterling, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Pounds Sterling by converting the foreign currency amount at the closing rate at the reporting date.

Pounds Sterling Amount		
Euro	36,423	28,930
Pounds Sterling	10,209	10,666
US Dollar	5,538	3,591
South African Rand	2,367	3,242
Australian Dollar	669	876
Other	170	165
	55,376	47,470

For the closing exchange rates that were applied to translate trade receivables at the reporting date, refer to note 29.

17. Finance lease receivables

Maturity analysis of lease payments receivable

Within one year	237	-
Two to five years	237	-
More than five years	159	-
Gross investment in the leases	633	-
Less: Unearned interest income	(4)	-
Net investment in the lease	629	-
Non-current assets	394	-
Current assets	235	-
	629	-

The Group concluded arrangements to lease out vehicles under various leasing arrangements during the current year.

The average term of these leases is 4 years and the lending rate is 0.49%. In cases where the Group retains ownership of the vehicles at the end of the lease term, variable lease payments have been implemented to manage the risk of use in excess of specified limits.

Specifically, where usage is limited to specified monthly output, a variable lease charge is payable by the lessee which is linked to the excess output volumes (kilometres exceeding 15,000 per annum).

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	31 December 2021 £ '000	31 December 2020 £ '000
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18. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	64,850	64,607
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Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group and earn interest at the respective short-term deposit rates.

Cash held and available for use within the business in our South African operation of £24.0m (2020: £23.3m) is subject to the normal government-imposed exchange controls for that country.

Also included within cash are balances of £1.6m (2020: £2.5m) where the use of the cash is restricted.

19. Discontinued operations

Nobilas France

The Group disposed of their 70% shareholding in Nobilas France with the effective date of 1 October 2019.

Belgium

The Group disposed of their 100% shareholding in all Belgian entities with the effective date of 7 January 2020.

Netsol - Pakistan

On 23 April 2020 the Group disposed of its shareholding in Netsol - Innovation (Private) Limited and received £56,000 cash consideration in full on the same date. The share transfer was approved by the regulatory authorities on 10 August 2020.

Financial performance and cash flow information

	Pakistan 15months to 31 December 2020 £'000	France 15months to 31 December 2020 £'000	Belgium 15months to 31 December 2020 £'000	Total 15months to 31 December 2020 £'000
Revenue	-	-	713	713
Expenses	66	-	(934)	(868)
Profit/(Loss) before tax	66	-	(221)	(155)
Tax	(1)	-	(1)	(2)
Profit/(Loss) after tax	65	-	(222)	(157)
Net cash inflow/(outflow) from operations	1,773	-	(140)	1,633
Net cash inflow from sale of subsidiary	56	18,813	-	18,869
Net cash increase/(decrease) generated by subsidiary	1,829	18,813	(140)	20,502

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19. Discontinued operations (continued)

12 months to 31 December 2021 £ '000	15 months to 31 December 2020 £ '000
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Loss from discontinued operations

Loss on discontinued operations	-	(157)
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All disposal transactions were completed in the prior period and the results of these subsidiaries had no impact of the current year's Income Statement.

20. Sale of businesses

As explained in note 19, the Group disposed of three subsidiaries in the prior period. No subsidiaries were disposed during the current year.

Profit/(Loss) on sale of subsidiary

	Pakistan £'000	Nobilas France £'000	Belgium £'000	Total 15 months to 31 December 2020 £'000
Net assets disposed of	(157)	(4,242)	(21)	(4,420)
Intangible assets and goodwill	-	(13,458)	(1,608)	(15,066)
Foreign exchange	15	(5)	-	10
Total assets disposed	(142)	(17,705)	(1,629)	(19,476)
Non-controlling interest	(1,376)	1,340	-	(36)
Cash consideration	56	18,813	-	18,869
Profit/(Loss) on disposal	(1,462)	2,448	(1,629)	(643)

The profit/loss on the sale was disclosed under exceptional costs.

21. Share capital and share premium

31 December 2021 £	31 December 2020 £
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Authorised

11,478 (2020: 11,478) Ordinary shares of £1 each

11,478	11,478
11,478	11,478

31 December 2021 £ '000	31 December 2020 £ '000
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Issued

Ordinary
Share premium

11	11
156,683	100,000
156,694	100,011

There is a single class of ordinary shares. As shares are issued, the cash received upon issuance is treated as consideration and included as additions to the Issued Capital account.

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21. Share capital and share premium (continued)

The ordinary shares have attached to them full voting dividend and capital distribution rights. They do not confer any rights of redemption.

22. Interest bearing loans and borrowings

Held at amortised cost

Super senior debt	-	42,894
Senior debt	161,007	170,664
Other loans	487	1,115
Priority debt	20,515	-
Lease liabilities	10,391	8,626
Total interest bearing loans and borrowings	192,400	223,299

Split between non-current and current portions

Non-current liabilities	189,779	219,308
Current liabilities	2,621	3,991
	192,400	223,299

Total bank debt of £181.5m (2020: £213.6m) is stated net of unamortised issue costs of £1.0m (2020: £0.9m).

During the financial year, the Group completed a restructuring of its debt which resulted Senior debt of £56.7m being waived in exchange for equity. The release of this debt has been recognised within finance income.

The Group's debt facilities, last updated in March 2021, comprise a Pounds Sterling Priority Term Facility that is fully drawn, and a Senior Debt facility in Pounds Sterling and Euro, also fully drawn. Interest is capitalised on the Priority loans, but this can be paid at the option of the borrower 1 year after their initial utilisation. Interest is capitalised on the Senior Debt loans but this can be paid at the option of the borrower. There are no mandatory instalment payments prior to the final maturity date.

The bank loans are secured on certain of the Group's operations.

Bank loans

Under the terms of its main banking facilities the Group is required to meet one financial covenant on a quarterly basis being Net Debt/EBITDA, the first test under these facilities is on 31 December 2022.

Lease liabilities

The Group's lease liabilities are detailed in note 23. The related assets are held as security in respect of these leases. There are no other significant restrictions in place in regard to these assets.

Refer to note 29 Financial instruments and financial risk management for the fair value of borrowings.

Exposure to liquidity risk

Refer to note 29 Financial instruments and financial risk management for details of liquidity risk exposure and management.

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31 December 2021 £ '000	31 December 2020 £ '000
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22. Interest bearing loans and borrowings (continued)

Exposure to currency risk

The Group is exposed to currency risk related to certain investments in debt instruments which are denominated in a foreign currency. Refer to note 29 Financial instruments and financial risk management for more details.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

The net carrying amounts, in Pounds Sterling, of borrowings, are denominated in the following currencies. The amounts have been presented in Pounds Sterling by converting the foreign currency amount at the closing rate at the reporting date.

Pounds Sterling amount

Euro	115,237	172,446
Pounds Sterling	72,370	44,274
South African Rand	3,174	3,261
US Dollar	1,343	2,591
Australian Dollar	119	593
Other	157	134
	192,400	223,299

For the closing exchange rates that were applied at the reporting date, refer to note 29.

Exposure to interest rate risk

Fixed rates

Other loans (1.5% interest rate)	487	1,115
Lease liabilities (3-10% interest rate)	10,391	8,626
	10,878	9,741

Floating rates

Priority debt (10% interest rate)	20,515	-
Super senior debt (2020: 5.67% interest rate)	-	42,894
Senior debt (6% interest rate (2020: 6%))	161,007	170,664
	181,522	213,558

Lease liabilities

Refer to note 23 Leases (the Group as lessee) for details of leasing activities.

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	31 December 2021 £ '000	31 December 2020 £ '000
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23. Leases (the Group as lessee)

The Group leases various offices and vehicles for which rental contracts are typically for fixed periods of up to 10 years.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The interest rates imposed on the lease liabilities are fixed interest rates that vary between 3%-10% between the different lease agreements through the Group.

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

Right of use asset	8,619	8,036
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Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 5).

Buildings	2,971	4,450
Motor vehicles	187	78
Computer systems and equipment	16	654
	3,174	5,182

Other disclosures

Interest expense on lease liabilities	656	826
- Buildings	648	812
- Motor vehicles	8	5
- Computer systems and equipment	-	9

A practical expedient has been taken in respect of IFRS 16 such that short-term and low value assets are not recognised within the Balance Sheet in accordance with IFRS 16. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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23. Leases (the Group as lessee) (continued)		
Lease liabilities		
Lease liabilities have been included in the interest bearing loans and borrowings line item on the Balance Sheet. Refer to note 22 Interest bearing loans and borrowings.		
The maturity analysis of lease liabilities is as follows:		
Within one year	2,681	3,441
Two to five years	7,897	5,348
More than five years	1,731	1,849
	<u>12,309</u>	<u>10,638</u>
Less finance charges component	(1,918)	(2,012)
Total lease liabilities	10,391	8,626
Non-current liabilities	8,255	5,750
Current liabilities	2,136	2,876
Total lease liability	10,391	8,626
24. Contract liabilities		
Summary of contract liabilities		
Contract liabilities	48,082	53,714
Split between non-current and current portions		
Non-current liabilities	12,378	13,403
Current liabilities	35,704	40,311
	<u>48,082</u>	<u>53,714</u>

Included within contract liabilities are figures that require separate disclosure under IFRS 4 "Insurance Contracts". These are as follows:

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24. Contract liabilities (continued)

Insurance liabilities

On-risk contracts

As at 01 October 2019

Amounts deferred from new policies

Amounts utilised

Foreign exchange

As at 31 December 2020

Amounts deferred from new policies

Amounts utilised

Foreign exchange

As at 31 December 2021

	Subsidence Contracts £'000	Maintenance Plans £'000	Total £'000
As at 01 October 2019	31	18,855	18,886
Amounts deferred from new policies	(1)	20,017	20,016
Amounts utilised	(21)	(20,654)	(20,675)
Foreign exchange	-	(1,312)	(1,312)
As at 31 December 2020	9	16,906	16,915
Amounts deferred from new policies	-	17,006	17,006
Amounts utilised	(9)	(17,117)	(17,126)
Foreign exchange	-	(1,184)	(1,184)
As at 31 December 2021	-	15,611	15,611

On-risk contracts currently fall into two categories: subsidence contracts and service and maintenance plan contracts.

Subsidence Contracts

In order to manage the risks around these contracts, each individual subsidence claim is assessed for possible repudiation and total potential exposure to costs if it is not possible to repudiate the claim. Analysis is performed on a regular basis to ensure that there are adequate funds available to cover the assessed potential exposure to costs. This includes an assessment of costs to complete on a contract by contract basis. If this percentage remains below 100%, then there are sufficient funds to cover the potential future costs. In the current financial year, the percentage is below 100%. The insurance company is invoiced in advance for claims so cash is always available to meet the repair costs.

Maintenance Plans

In order to manage the risks around these contracts all vehicles are assessed in terms of make, model, age and distance driven to date.

Fund burn analyses are performed periodically to ensure that there are adequate funds available to pay future expected claims. If this percentage remains below 100%, then the fund is sufficient to cover future claims. In both the current and previous financial years, the percentage is below 100%.

The Group has on-risk contracts for maintenance plans. As these plans can be priced accurately due to parts having to be replaced at specific intervals, risk due to uncertainty is mitigated to satisfactory levels.

Maintenance plans expire on the earlier of either the fixed length of the plan or the distance limit being reached.

These contracts are not reinsured as management believe it is possible to price the contracts very accurately.

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25. Provisions

Reconciliation of provisions - 2021 (£'000)

	Opening balance	Additions	Utilised during the year	Reversed during the year	Foreign exchange	Total as at 31 December 2021
Legal and Restructuring	1	438	-	-	7	446
Property leases	354	-	-	-	(20)	334
Contract provisions	2,486	923	(85)	(603)	-	2,721
Other provisions	-	255	-	-	4	259
	2,841	1,616	(85)	(603)	(9)	3,760

Reconciliation of provisions - 2020 (£'000)

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total as at 31 December 2020
Legal and Restructuring	14	-	-	(13)	1
Property leases	482	79	(152)	(55)	354
Contract provisions	14,418	-	(5,236)	(6,696)	2,486
	14,914	79	(5,388)	(6,764)	2,841

Non-current liabilities	593	1,445
Current liabilities	3,167	1,396
	3,760	2,841

Legal and Restructuring

Provisions relate to restructuring performed in the year as well as provisions in relation to employment disputes and other litigation matters.

Property leases

The property lease provision relates to the onerous element of lease contracts related to certain offices vacated as a result of the restructuring of Software and Services divisions. The provision is expected to be utilised over the next two years. A provision for the restoration of a property within South Africa for £255k (2020:£274k) is expected to be utilised after five years.

Contract provisions

The contract provisions relate to the onerous element of two software implementation contracts and certain property on-risk contracts, including the prior year provision for termination settlements. The provision is expected to be utilised within the next year.

Other provisions

Other provisions relate to warranty claims on policies sold and is expected to be realised within three to five years.

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	31 December 2021 £ '000	31 December 2020 £ '000
26. Trade and other payables		
Current		
Trade payables	27,240	20,926
Other payables	15,253	14,039
Social security and other taxes	999	2,934
Accruals	24,723	27,007
	68,215	64,906
Non-current		
Other payables	379	512

27. Commitments

Capital and financial commitments

At 31 December 2021 there was no capital expenditure contracted for and not provided in the Financial Statements.

At 31 December 2020 the Group had entered into a commitment for a five year office lease in South Africa with an approximate value in use of £1.9m.

Operating leases – as lessee (expense)

The Group has entered commercial leases on certain properties and items of equipment that are on a short term basis or deemed a low value asset. At the period end the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Future minimum lease payments payable		
Within one year	2	51
Between one and two years	-	2
Between two and five years	-	-
After five years	-	-
	2	53

28. Related parties

Related party transactions and balances

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Transactions between the Group and its associates are disclosed below.

Sales to related parties

Guardrisk Insurance Company Limited	2,132	2,418
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Key management

Key management are defined as the Board of Innovation Group Holdings Limited and those persons, directly or indirectly, having authority and responsibility for planning, directing and controlling the activities of the Group, which is considered to be the Board of Directors. Information on the remuneration of the Directors is disclosed within note 5.

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29. Financial instruments and risk management

Categories of financial assets

31 December 2021 (£'000)

	Note	Fair value through profit or loss	Amortised cost	Total at 31 December 2021
Other debtors	16	-	2,847	2,847
Finance lease receivables	17	-	629	629
Trade and other receivables	16	-	34,092	34,092
Contract assets	16	-	18,354	18,354
Cash and cash equivalents	18	-	64,850	64,850
Non-current financial assets	14	-	7,807	7,807
		-	128,579	128,579

31 December 2020 (£'000)

	Note(s)	Fair value through profit or loss	Amortised cost	Total at 31 December 2020
Other debtors	16	-	3,188	3,188
Trade and other receivables	16	-	26,906	26,906
Contract assets	16	-	17,163	17,163
Cash and cash equivalents	18	-	64,607	64,607
Non-current financial assets	14	-	7,443	7,443
		-	119,307	119,307

Categories of financial liabilities

31 December 2021 (£'000)

	Note(s)	Fair value through profit or loss	Amortised cost	Total at 31 December 2021
Trade and other payables	26	-	27,240	27,240
Other payables	26	-	15,253	15,253
Accruals	26	-	24,723	24,723
Borrowings	22	-	181,522	181,522
Other loans	22	-	487	487
Finance lease obligations	23	-	10,391	10,391
		-	259,616	259,616

31 December 2020 (£'000)

	Note(s)	Fair value through profit or loss	Amortised cost	Total at 31 December 2020
Trade and other payables	26	-	20,926	20,926
Other payables	26	-	14,039	14,039
Accruals	26	-	27,007	27,007
Borrowings	22	-	213,558	213,558
Other loans	22	-	1,115	1,115
Finance lease obligations	23	-	8,626	8,626
		-	285,271	285,271

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29. Financial instruments and risk management (continued)

Objectives, Policies and Strategies

The Group's objective has been to finance acquisitions through new capital, cash reserves and borrowings. Investments in intangible fixed assets and property, plant and equipment have been made through cash and finance lease borrowings. The Group's policy towards using financial instruments is to manage credit, interest rate, liquidity and currency exposure risk without exposing the Group to undue risk or speculation. The policy is kept under review by the Directors according to the Group's foreign exchange and treasury policy.

The risks arising from the Group's operations are explained below.

Capital risk management

The Group defines its capital as the Group's total equity, including non-controlling interests. Its objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to provide an adequate return to investors based upon the level of risk undertaken, to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and maintain sufficient financial resources to mitigate risks and unforeseen events. The Group also has £Nil of shareholder debt (2020: £112.6m which was released during the current year as part of the refinancing).

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk on trade and other receivables, contract assets, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through limiting investments in liquid securities with major financial institutions that satisfy specific criteria.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

The maximum exposure to credit risk is presented in the table below:

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29. Financial instruments and risk management (continued)

		31 December 2021 £'000			31 December 2020 £'000		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Lease receivables	17	629	-	629	-	-	-
Other debtors	16	2,847	-	2,847	3,188	-	3,188
Trade and other receivables	16	36,962	(2,870)	34,092	31,077	(4,171)	26,906
Contract assets	16	18,354	-	18,354	17,163	-	17,163
Cash and cash equivalents	18	64,850	-	64,850	64,607	-	64,607
Non-current financial assets	14	7,807	-	7,807	7,443	-	7,443
		131,449	(2,870)	128,579	123,478	(4,171)	119,307

Amounts are presented at amortised cost.

Fair value is substantially equivalent to book value for the Group's financial assets and liabilities, where items are short term in nature.

The Group does not hold any collateral as security.

Liquidity risk

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group's funds are principally held either as cash or short-term money market investments with a number of different major banking institutions. The Group has a term debt facility that is fully drawn (other than £4m for settlement of specific liabilities) and manages liquidity by maintaining available cash balances.

Management monitors rolling forecasts of the Group's liquidity reserves (comprising any undrawn borrowing facility, or unexercised committed facility increase (note 22)) and cash and cash equivalents (note 18) based on expected cash flow. The Group's liquidity management policy includes reviewing cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal key performance indicators and external covenant requirements and maintaining debt financing plans.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts which include interest, analysed by contractual maturity. The difference between the contractual cash flows and the carrying amount of these liabilities reflects the effects of interest not included in the carrying amount and discounting applied in assessing fair value.

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29. Financial instruments and risk management (continued)

2021 (£'000)

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount at 31 December 2021
Non-current liabilities							
Borrowings	22	-	2,362	187,059	1,731	191,152	189,779
Trade and other payables	26	-	379	-	-	379	379
Current liabilities							
Trade and other payables	26	67,216	-	-	-	67,216	67,216
Borrowings	22	3,166	-	-	-	3,166	2,621
		70,382	2,741	187,059	1,731	261,913	259,995

2020 (£'000)

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount at 31 December 2020
Non-current liabilities							
Borrowings	22	-	1,668	217,238	1,849	220,755	219,308
Trade and other payables	26	-	512	-	-	512	512
Current liabilities							
Trade and other payables	26	61,972	-	-	-	61,972	61,972
Borrowings	22	4,556	-	-	-	4,556	3,991
		66,528	2,180	217,238	1,849	287,795	285,783

Other contractual liabilities are included within the trade and other payables balance as disclosed in Note 26. There are no other financial liabilities within this balance.

Foreign currency risk

Currency exposure arises through external debt, intra-group loans and trading balances throughout all Group locations. Natural hedging is employed, to the extent possible, to minimise net exposures. Currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. In general, all overseas operating units trade and hold assets and liabilities in their functional currency. Certain intermediate holding companies have long-term intercompany loans designated in foreign currency. As these are of a long-term nature, these are treated as quasi-equity and as such any foreign exchange arising is taken straight to reserves. Any foreign exchange incurred on trading loans is taken through the income statement. In the Company financial statements, all foreign exchange gains and losses are taken to the Income Statement.

The foreign currencies in which the Group deals primarily are US Dollars, Euros and South African Rand.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

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Notes to the Annual Report and Financial Statements

29. Financial instruments and risk management (continued)

Exposure in Pounds Sterling

The net carrying amounts, in Pounds Sterling, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pounds Sterling by converting the foreign currency amounts at the closing rate at the reporting date:

Exchange rates

The following average exchange rates to convert results were applied:

	2021	2020
Foreign currency per Pounds		
South African Rand	20.526	20.851
Euro	1.166	1.134
US Dollar	1.375	1.293

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. The sensitivity analysis of the Group's exposure for foreign currency risk at the year-end has been determined based on the assumption that the change is effective throughout the financial year and all other variables remain constant. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate

Impact on profit or loss:

US Dollar 10% (2020: 10%)

Euro 10% (2020: 10%)

South African Rand 10% (2020:10%)

	31 December 2021 £'000	31 December 2021 £'000	31 December 2020 £'000	31 December 2020 £'000
	Increase	Decrease	Increase	Decrease
	(609)	609	(903)	903
	(96)	96	(1,007)	1,007
	324	(324)	580	(580)
	(381)	381	(1,330)	1,330
Impact on equity:				
US Dollar 10% (2020: 10%)	(1,760)	1,760	(1,129)	1,129
Euro 10% (2020: 10%)	(1,088)	1,088	(775)	775
South African Rand 10% (2020:10%)	1,090	(1,090)	886	(886)
	(1,758)	1,758	(1,018)	1,018
	(2,139)	2,139	(2,348)	2,348

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29. Financial instruments and risk management (continued)

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

Interest bearing financial assets comprises cash. Interest bearing financial liabilities comprise shareholder loans, bank loans and net obligations under finance leases. Shareholder loans and finance leases are held at fixed rates of interest. The Group currently relies on the natural hedge of financial assets versus financial liabilities to manage the risk arising from changes to floating interest rates in the majority of cases and it is generally the policy of the Group to hold assets under floating interest rates.

The interest rate risk is for cash and cash equivalents, shareholder loans and bank loans only. All other financial assets are non-interest bearing. Interest on floating rate assets is based on the relevant national inter-bank rates, with short-term deposits being made for varying periods of between one and three months depending upon the immediate cash requirements of the Group. During the year interest rates on these assets ranged from 0.0% to 4.4% depending on the type of account and the location of the Group entity.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period. A positive number indicates an increase in profit after taxation and equity (net assets).

Increase or decrease in rate

Impact on profit or loss:

Pound Sterling 1% (2020: 1%)
South African Rand 1% (2020: 1%)
Euro 1% (2020: 1%)

	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
	(568)	94	(429)	32
	148	(148)	364	(364)
	(1,299)	-	(1,716)	-
	(1,719)	(54)	(1,781)	(332)

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30. Events after the reporting period

On 12 April 2022, the Group acquired the Warwick Partnership Limited, a provider of loss adjusting services. Consideration of £0.6m was paid on completion, a further £0.6m is due on 12 April 2023 and up to £0.6m is payable in April 2024 dependant on the performance of the business.

31. Prior period errors

IFRS 15 provides guidance for the accounting for contracts with customers to determine whether an entity is a principal or an agent in the contract. If an entity is a principal it accounts for revenue on a gross basis, if it is an agent it accounts for revenue on a net basis (i.e. only commission or rebates are recognised as revenue). The basis of revenue recognition is driven by whether the entity bears responsibility for the risks and rewards of the contract with the customer.

Based on the terms and conditions in vehicle lease contracts with insurers to provide rental cars for the insurers' claimants in the German Fleet operation the accounting for these agreements should have been on a net basis as the entity is acting as an agent. This has been concluded upon as the entity does not have control over the service provided by the other party involved until the service is transferred to the customer.

The results for the current and prior reporting periods have been restated accordingly. It has no impact on the profit or loss of the Group.

The correction of the error results in adjustments as follows:

Income statement for the 15 months ended 31 December 2020

	Previously reported £'000	Restated £000	31 December 2020 £'000
Revenue	228,105	(5,684)	222,421
Cost of sales	(144,853)	5,684	(139,169)
Gross Profit	83,252	-	83,252

32. Ultimate parent company and controlling party

Innovation Group Holdings Limited is the ultimate parent company and the largest group to consolidate these Financial Statements. Copies of these financial statements can be obtained from its registered office; Bembridge House, 1300 Parkway, Solent Business Park, Whiteley, PO15 7AE, UK

Axios Bidco Limited is the smallest group to consolidate the financial statements of the trading group.

Innovation Group Holdings Limited is owned and controlled by the Group's lenders, there is no one party that controls more than 25% of the Group.

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Company Financial Statements

Company Balance Sheet as at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Non-current assets			
Investments	3	170,654	170,654
Current assets			
Trade and other receivables	4	4,540	2,954
Cash and cash equivalents		11,085	4,838
Total assets		186,279	178,446
Non-current liabilities			
Interest bearing loans and borrowings	5	69,501	100,589
Current liabilities			
Other payables	6	3,026	18,548
Equity			
Share capital and share premium	7	156,694	100,011
Accumulated loss		(42,942)	(40,702)
Total equity and liabilities		186,279	178,446

As permitted by section 408 of the Companies Act 2006, the Company has not presented its profit and loss account.

These financial statements on pages 82 to 89 were approved by the Board of Directors on **24 November 2022** and were signed on its behalf by



Alasdair Marnoch
Director

Registered Company Number: 09749768

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Company Financial Statements

Company Statement of Changes in Equity For the year ended 31 December 2021

	Ordinary shares £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
At 01 October 2019	11	100,000	60,753	160,764
Result and total comprehensive loss for the period	-	-	(101,455)	(101,455)
At 31 December 2020	11	100,000	(40,702)	59,309
Result and total comprehensive loss for the period	-	-	(2,240)	(2,240)
Change in share capital	-	56,683	-	56,683
At 31 December 2021	11	156,683	(42,942)	113,752

Note

7 7

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these separate financial statements, which have been consistently applied in the period, are set out below. The company has adopted FRS 102 in these financial statements.

Basis of Preparation

These financial statements are prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting standard applicable in the United Kingdom and Republic of Ireland ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Exemptions for qualifying entities under FRS102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by 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 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Going concern

The Directors' assess the Company's going concern for a period of at least 12 months from the time of approving the financial statements. On the 10th October 2022 the Group announced that its shareholders had entered into a binding agreement to sell 100% of the shares in Innovation Group Holdings Limited to Allianz Strategic Investment Sarl ("ASI") an investment arm of Allianz SE ("Allianz"). This is expected to complete within 12 months following approval of these Financial Statements. The Directors have held extensive discussions with Allianz and received assurances that whilst the legal ownership will pass to ASI, the Group's operations will continue in the current corporate structure and continue to be independent. In addition, the Directors are satisfied that post potential completion Allianz would provide any necessary funding that may be required to ensure that the Company continued to meet its liabilities as they fell due.

However, in the potential event that the transaction was not to proceed, the directors have drawn up cash flow forecasts for the Company through to December 2023 and concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements'.

Consolidated Financial Statements

Innovation Group Holdings Limited is the ultimate parent company and the largest group to consolidate these Financial Statements. Copies of these financial statements can be obtained from its registered office; Bembridge House, 1300 Parkway, Solent Business Park, Whiteley, PO15 7AE, UK

Axios Bidco Limited is the smallest group to consolidate the financial statements of the trading group.

Innovation Group Holdings Limited is owned and controlled by the Group's lenders, there is no one party that controls more than 25% of the Group.

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Company Financial Statements

Investments

Investments in subsidiaries and associates are stated at cost less any provision for impairment in value. Investments in unquoted equity investments which do not have a reliable market value are stated at cost less provision for any impairment in value.

Financial Instruments

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 and disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

Measurement

At initial recognition, the Company measures a financial asset and liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

Assets classified as subsequently measured at amortised cost, the interest revenue, expected credit losses and foreign exchange gains or losses are recognized in the income statement. On de-recognition, any gain or loss is recognised in the Income Statement. The Company does not have any assets subsequently measured at fair value through other comprehensive income nor subsequently measured at fair value through profit and loss.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. The Company does not have any assets subsequently measured at fair value.

Impairment

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Income Statement.

Key accounting estimates

Impairment

At the year-end, an impairment review is performed to determine whether there is an indication that the investments may be impaired. If there is such an indication the recoverable amount of the investments is estimated to be lower than the carrying amount, an impairment loss is recognised in the profit and loss account to reduce carrying amount to its recoverable amount.

The recoverable amount of the investments is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of investments is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account unless the investments have been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter, any excess is recognised in profit or loss.

2. RESULT FOR THE YEAR

The Company incurred a loss of £2.2m during the current period (2020: £101.5m).

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Company Financial Statements

3. INVESTMENTS

Subsidiary undertakings	Principal activities	Country of incorporation	Direct / % of indirect holding shares held 2021	% of ordinary shares held 2020
Software				
1insurer Holdings Limited (2)	Holding company	UK	Direct	100.00 %
1insurer Limited (2)	Software services	UK	Indirect	100.00 %
1insurer Australia (Proprietary) Limited (1)	Software services	Australia	Indirect	100.00 %
Innovation Group (Japan) (Proprietary) Limited (1)	Software services	Australia	Indirect	100.00 %
1insurer Incorporated (22)	Software services	USA	Indirect	100.00 %
Business Services				
The Innovation Group (EMEA) Limited (2)***	Business Process services	UK	Indirect	100.00 %
Motorcare Services Limited (2)***	Business Process services	UK	Indirect	100.00 %
Innovation Property (UK) Limited (2)	Business Process services	UK	Indirect	100.00 %
Innovation Group Business Services Limited (2)***	Business Process services	UK	Indirect	100.00 %
Innovation Fleet Services Limited (2)***	Business Process services	UK	Indirect	100.00 %
Ingleby (1879) Limited (2)***	Holding company	UK	Indirect	100.00 %
EMaC Limited (2)***	Business Process services	UK	Indirect	100.00 %
Innovation Property Limited (2)^	Dormant company	UK	Indirect	100.00 %
TIG Acquisition Holdings (2)***	Holding company	UK	Indirect	100.00 %
InFront Insurance PCC Limited (3)	Business Process services	Guernsey	Indirect	100.00 %
Innovation Group Solutions SAS (4)^	Business Process services	France	Indirect	100.00 %
Wintec Autoglass France SAS (4)^	Business Process services	France	Indirect	100.00 %
Nobilas Iberica SL (5)	Business Process services	Spain	Indirect	100.00 %
Pericalcar SL (5)	Business Process services	Spain	Indirect	100.00 %
Innovation Group Holdings BV (6)^	Dormant company	Netherlands	Indirect	100.00 %
Innovation Group Poland sp.zoo (7)	Business Process services	Poland	Indirect	100.00 %
Wintec Windschutzscheibentechnik GmbH (8)^	Business Process services	Germany	Indirect	100.00 %
Wintec Autoglas GmbH (8)	Business Process services	Germany	Indirect	100.00 %
Innovation Group AG (9)	Business Process services	Germany	Indirect	100.00 %
Innovation Group Fleet & Mobility GmbH (9)	Business Process services	Germany	Indirect	100.00 %
Innovation Group Germany GmbH (9)	Holding company	Germany	Indirect	100.00 %
Innovation Group Parts GmbH (11)	Business Process services	Germany	Indirect	100.00 %
Innovation Group Services GmbH (10)	Business Process services	Germany	Indirect	100.00 %
Innovation Group Property GmbH (formerly Servicekoncept AG) (13)	Business Process services	Germany	Indirect	100.00 %
Gateway Digital Services GmbH (9)	Business Process services	Germany	Indirect	100.00 %
Innovation Group Switzerland GmbH (14)^	Dormant company	Switzerland	Indirect	50.00 %
Innovation Group (Australia) Pty Ltd (1)	Business Process services	Australia	Indirect	100.00 %
Innovation Group (Claims Services) Pty Ltd (1)	Business Process services	Australia	Indirect	100.00 %
Innovation Group (Motor Consult) Pty Ltd (1)	Business Process services	Australia	Indirect	100.00 %
Innovation Group (Fleet) Pty Ltd (1)	Business Process services	Australia	Indirect	100.00 %

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Subsidiary undertakings	Principal activities	Country of incorporation	Direct / Indirect	% of ordinary holding shares held 2021	% of ordinary shares held 2020
Innovation Group (Motorcare) Pty Ltd (1)^	Business Process services	Australia	Indirect	100.00 %	100.00 %
TIG Acquisition Co. (15)	Holding company	USA	Indirect	100.00 %	100.00 %
First Notice Systems Inc (15)	Business Process services	USA	Indirect	100.00 %	100.00 %
First Notice Inc (15)	Business Process services	USA	Indirect	100.00 %	100.00 %
Innovation Auto Inc (15)	Business Process services	USA	Indirect	100.00 %	100.00 %
Sureplan USA Inc (15)	Business Process services	USA	Indirect	100.00 %	100.00 %
Innovation Fleet Canada Limited (20)	Business Process services	Canada	Indirect	100.00 %	- %
Innovation Holdings (South Africa) (Pty) Limited (16)	Holding company	South Africa	Indirect	100.00 %	100.00 %
The Innovation Group (Pty) Limited (16)	Holding company	South Africa	Indirect	75.00 %	75.00 %
Innovation IP (Pty) Limited (16)	Business Process services	South Africa	Indirect	100.00 %	100.00 %
Innovation Group Services (Pty) Limited (16)	Business Process services	South Africa	Indirect	75.00 %	75.00 %
Innovation FSP (Pty) Limited (16)	Business Process services	South Africa	Indirect	75.00 %	75.00 %
Innovation Group Namibia (Pty) Limited (16)	Business Process services	South Africa	Indirect	75.00 %	75.00 %
Business Process Innovation Botswana (Pty) Ltd (16)	Business Process services	South Africa	Indirect	75.00 %	75.00 %
Innovation Risk Services (Pty) Ltd (16)	Business Process services	South Africa	Indirect	53.00 %	53.00 %
Innovation Specialised Risk (Pty) Ltd (16)	Holding company	South Africa	Indirect	53.00 %	53.00 %
Innovation Legal (Pty) Limited (16)*	Dormant company	South Africa	Indirect	38.00 %	38.00 %
Catalyst Insurance Consultants (Pty) Limited (16)^	Business Process services	South Africa	Indirect	53.00 %	53.00 %
Corporate Warranty Administrators (Pty) Limited (16)^	Dormant company	South Africa	Indirect	75.00 %	75.00 %
Motorcare Investment Holdings (Pty) Limited (16)^	Dormant company	South Africa	Indirect	75.00 %	75.00 %
Maxicare Holdings (Pty) Limited (16)	Dormant company	South Africa	Indirect	75.00 %	75.00 %
Maxicare (Pty) Limited (16)^	Dormant company	South Africa	Indirect	75.00 %	75.00 %
Innovation Group Distribution (Pty) Limited (16)	Dormant company	South Africa	Indirect	75.00 %	75.00 %
M.B.I Underwriting Managers (Pty) Limited (16)^	Dormant company	South Africa	Indirect	75.00 %	75.00 %
masSA (Pty) Limited (16)^	Dormant company	South Africa	Indirect	75.00 %	75.00 %
Innovation ROA Limited (19)	Business Process services	Mauritius	Indirect	100.00 %	- %
Websoft (Pty) Limited (16)	Dormant company	South Africa	Indirect	75.00 %	75.00 %
Property					
DIMO Computing Limited (2)^	Business Process services	UK	Indirect	100.00 %	100.00 %
Holdings					
The Innovation Group Limited (2)^	Holding company	UK	Direct	100.00 %	100.00 %

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Associate undertakings	Principal activities	Country of incorporation	Direct/ indirect holding	% of ordinary shares in 2021	% of ordinary shares in 2020
Cell captive within Guardrisk Insurance Company Limited (17)**	Cell captive	South Africa	Indirect	100.00 %	100.00 %
Cell captive within Momentum Insurance Limited (21)**	Cell captive	South Africa	Indirect	100.00 %	100.00 %

* The Directors have concluded that the Group exercises a dominant influence over this company as it is able to control its operating and financial decisions through its position on the Board.

** The Directors have concluded that the Group exercises significant influence over the cell captive but is unable to exercise control.

*** These entities are exempt from the requirements of the Companies Act 2006 relating to the audit of financial statements under section 479a of the companies Act 2006.

^ Subsidiaries that were disposed of during the period.

^^ Subsidiaries that were deregistered during the period

Addresses of all subsidiaries are referenced from the above table as follows:

- (1) Level 15, 8 Exhibition Street, Melbourne, Victoria, 3000, Australia
- (2) Bembridge House, 1300 Parkway, Whiteley, Fareham, PO15 7AE, UK
- (3) PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey
- (4) 4 rue de Marivaux, 75002 Paris, France
- (5) 10 calle de la Selva 10PB1 08820 El Prat de Llobregat, Spain
- (6) Tankval 3, 2408 ZC Alphen aan den Rijn, Netherlands
- (7) Al. Jerozolimskie 212, 02-486 Warszawa, Poland
- (8) Diezer Strasse 104, 65549 Limburg, Germany
- (9) Rotebühlstrasse 121, 70178 Stuttgart, Germany
- (10) Torgauer Strasse 231-233, 04347 Leipzig, Germany
- (11) Finsterwalder Strasse 75, 01979 Lauchhammer, Germany
- (12) Jahn Strasse 1, 71032, Böblingen, Germany
- (13) Am Wassermann 19, 50829, Köln, Germany
- (14) Industriestrasse 12, CH-8305 Dietlikon, Switzerland
- (15) 5350 Keystone Court, Rolling Meadows, Illinois, 60008, USA
- (16) 155 West Street, Sandton, 2196, Johannesburg, South Africa
- (17) The Marc, Tower 2, 129 Rivonia Road, Sandton, 2196, Johannesburg, South Africa
- (18) 400 - 725 Granville Street, Suite 400, P.O. Box 10325, Vancouver, BC V7Y 1G5
- (19) 61 Queen Street, Port Louis, Mauritius, 1712-04
- (20) 1 Concorde Gate, Suite 702, Toronto, Ontario, Canada, M3C 3N6
- (21) 268 West Avenue, Die Hoewes, 0157, Centurion, South Africa
- (22) 1051 Perimeter Drive STE 800, Schaumburg, Illinois, 60173, USA

Reconciliation of investments:

	Investments (£'000)
Cost	
Balance as at 31 December 2020 & 2021	509,207
Accumulated impairment	
Balance as at 1 October 2019	(249,375)
Impairment	(89,178)
Balance as 31 December 2020 and 2021	(338,553)
Balance as at 31 December 2020	170,654
Balance as at 31 December 2021	170,654

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	31 December 2021 £ '000	31 December 2020 £ '000
4. TRADE AND OTHER RECEIVABLES		
Amounts owed by group undertakings	4,540	2,689
Other debtors	-	265
	4,540	2,954

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.
Amounts owed by group undertakings are stated net of impairment of £41.9m (2020: £43.1m)

5. INTEREST BEARING LOANS AND BORROWINGS

Super senior debt	-	42,894
Senior debt	48,986	57,695
Priority debt	20,515	-
	69,501	100,589

6. TRADE AND OTHER PAYABLES

Amounts owed to group undertakings	1,780	16,821
Other creditors	1,246	1,727
	3,026	18,548

7. CALLED UP SHARE CAPITAL

Refer to note 21 of the consolidated financial statements for the details of the Company's share capital.

The Company exchanged £56.7m of its senior debt for equity as part of the refinancing transaction that concluded on 24 March 2021.

8. RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with companies that are wholly owned within the Group.

9. STATUTORY AND OTHER INFORMATION

There are no employees of the Company. Details of Directors' remuneration is set out in note 5 of the Group Financial Statements. The fees in connection with the audit of the Company were paid and borne by a subsidiary undertaking, without recharge and were part of the fee for the consolidated financial statements as set out in note 5 to the consolidated financial statements. Fees paid to PricewaterhouseCoopers LLP for non-audit services to the Company are not disclosed in the individual financial statements of the Company because Group financial statements are prepared which are required to disclose such fees on a consolidated basis, see note 5 to the consolidated financial statements.