Proactis Limited

Annual Report and Financial Statements
Registered number 03182974
Year Ended 31 July 2022

Contents

Company information

Directors
S Line
R Hughes

Registered office
Riverview Court
Castle Gate
Wetherby
LS22 6LE

Auditor
BDO LLP
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Leeds
LS1 4DL

Solicitor
Walker Morris Solicitors
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Leeds
LS1 4DL

Principal banker
HSBC Bank plc
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Strategic report

Growth strategy

As the key UK operating unit in the Proactis Group (the Group), Proactis Limited aims to deliver the Group's strategy as appropriate in the UK.

The Group's long-term strategy is to build an international business focused on delivering best value to its customers through the digital transformation of their procurement systems and processes with the application of the Group's software technology and provision of its expert services. The Group's strategy can be illustrated as follows:

- Maximise customer and technology opportunity
- Accelerate new business spend management momentum
- Drive adoption of existing supplier paid products
- Extend supplier paid product portfolio

This strategy is designed to deliver a strong financial proposition of profitable, cash generative organic growth with a high level of visibility illustrated by its annual recurring revenue ("ARR") across both buyer and supplier paid products.

The Group aims to drive organic growth into its business spend management solutions by retaining existing and winning new customers through continually improving its best in class procurement solutions with high service levels and excellent user support as well as a focused approach to the up-selling of the Group's extensive range of solutions, creating even broader and deeper customer relationships.

In addition, the Group has a substantial opportunity to provide complementary products which leverage the business spend management solutions with transactional services and tender services.

Business performance and strategy

The Company's financial performance is set out on page 11. The turnover in the year of £20,428,978 (*2021: £20,309,033*) was in line with the prior year. The operating profit was £3,549,471 (*2021: £2,469,661*), the increase being driven by a number of factors including lower staff costs and favourable exchange rate gains, partly offset by additional investment in IT and marketing costs in the current year.

Key Performance Indicators
The Company secured 24 new names *(2021: 35)* in addition to 276 upsell deals sold to existing customers *(2021: 123)*. The increase in the upsell levels are due to a change to recognise all upsells in the current year where previously only upsells above a value were recognised.

Whilst the volume and value of new business and upsells are good indicators of market traction and growth, the retention of existing customers remains of vital importance to short-term revenue and long-term value protection. Therefore, it was encouraging that the Company has generally maintained its high level of renewals, particularly in the current economic climate.

Business Spend Management (Buyer) solutions
The Group provides business spend management solutions to customers that enable those customers to reduce the cost of goods or services purchased through enhanced sourcing activities, access efficiencies through the automation of manual processes using technology and also to provide an enhanced level of corporate governance and compliance through work flows designed into the technology.

Supplier solutions
The Group provides access to technology that enables suppliers to transact digitally with their customers. This technology, being driven by a buyer decision to make a supplier pay, is often referred to as networking technology and the technology can allow multiple documents in any format to be passed between suppliers and their customers and it can also allow greater collaboration between suppliers and their customers through the provision of other trading information, In addition, the Group uses its technology to deliver tailored new business opportunities to suppliers through its search and selection of a vast number of new business opportunities, tenders, from a number of international sources.

Strategic report *(continued)*

Markets
The Group offers true multi-company, multi-currency and multi-language capabilities and this remains an essential differentiator as the Group increases its presence across more sectors worldwide. The Group continues to sell its solutions to customers operating across several continents and many different sectors.

The Group competes on various levels; local vendors, Enterprise Resource Planning ("ERP") vendors and international procurement vendors and this mix makes for an extremely competitive environment. The "end-to-end" message and tight integration techniques mitigate this and positions the Group as a value-led solution against both big ticket, consultancy led ERP vendors, international procurement vendors' solutions and potential multi-vendor software led solutions. This value proposition is particularly compelling for mid-sized commercial and public sector organisations, both of which the Group is focused on across all of its business segments.

The Group's go-to-market strategy is based on a targeted and efficient deployment of its marketing and sales resource within each market segment it operates in. Within those segments, the Group seeks to maximise its return by selecting verticals where its solutions fit well and are referenceable and, with thorough research and with experiential grounding, can attain a leading position as the default provider. This strategy is at varying levels of maturity within the Group's business segments and the Board looks forward to the potential accelerated growth rates that could result.

Key risks
Although the directors seek to minimise the impact of risk factors, the Group and Company are subject to a number of risks which are as follows:

Risk	Potential impact	Mitigation
Loss of key personnel	Loss of key management could have adverse consequences for the Group. While the Group has entered into service agreements / employment contracts with each of its key management, the retention of their services or those of other key personnel cannot be guaranteed.	Retention risk is considered and discussed at length at Board and Leadership Team meetings. Appropriate actions are agreed if a particular risk is raised.
Competition	Competitors may be able to develop products and services that are more attractive to customers than the Group's products and services. In order to be successful in the future, the Group will need to continue to finance research and development activities and continue to respond promptly and effectively to the challenges of technological change in the software industry and competitors' innovations. An inability to devote sufficient resources to product development activities in order to achieve this may lead to a material adverse effect on the Group's business.	The Group continues to invest substantially in the development of its technology and other solutions to enable it to meet the challenge of fast changing market demand and ever-increasing levels of technological advancement. The Group has an extensive product portfolio arising from the Group's acquisition history. The Board recognises this and has projects underway to better leverage those products that deliver in line with the Group's strategic plan.

Strategic report *(continued)*

Acquisitions	The Group has historically been acquisitive and has stated that it will consider acquiring suitable companies which fit certain criteria. The Group recognises that there is a risk of operational disturbance in course of integrating acquired companies into the Group's existing operations. Acquisitions may also be made where the desired synergy benefits may fail to materialise, may take longer than anticipated or may be lower than have been or where the targets results or cash flows may not match the Group's expectations.	The Group mitigates this risk by way of due diligence, a detailed planning process and continued monitoring of the progression of integration of acquisition into the wider group.
Internal operations	The Group is subject to the risks and challenges in managing an organisation operating in various countries. If the Board and ELT are unable to manage the international aspects of the Group's business and ensure that global processes are sufficiently well developed and robust, its operating results and overall business will be significantly and adversely affected.	Monthly meetings are held with regional management teams to discuss progress against the Group's strategy. Matters arising from these meetings are discussed at Board and Leadership Team meetings and appropriate actions agreed, if required.
Government policy	There may be changes in future government policy in relation to eProcurement which may have a material adverse effect on the Group's business, such as Brexit, eGov, gCloud and legislation conflicts between the various jurisdictions that the Group will operate in following Completion.	The Board and Leadership Team monitor this area regularly.

Strategic report *(continued)*

Privacy or data protection failures	The Group's operations are subject to a number of laws relating to privacy and data protection. Such laws and regulations govern the Group's ability to collect and use personal information. The Group relies on third party contractors and its own employees to collect personal data and to maintain its databases and therefore the Group is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of data protection requirements. If the Group is found not to comply with the data protection laws and regulations, this may result in investigative or enforcement action (including criminal proceedings and significant pecuniary penalties) by the Information Commissioner's Office in the UK or similar regulatory authorities in other jurisdictions in which the Group operates. This in turn could damage its reputation, lead to negative publicity and result in the loss of the goodwill of its existing customers and deter new customers, all of which would have a material adverse effect on the Group's business, results of operations and financial condition.	All critical suppliers to the business are first evaluated by the Group's Compliance Team. Depending on the nature and scope of the services various processes will then be enacted commensurate with their perceived risk to the business. Each of these suppliers will need to undergo a full Data Protection Impact Assessment and only on successful conclusion of that exercise, can the service then be utilised. Proactis is GDPR Compliant and all employees are required to undertake annualised Security and GDPR re-training. All employees are also required to annually, review all corporate policies and sign confirmation and acceptance.

R Hughes
Director

Riverview Court, Castle Gate
Wetherby LS22 6LE

21 December 2022

Directors' report

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

Principal activities

The principal activity of the company in the year under review was that of the development and sale of business software, installation and related support services and managed services.

Business review

The turnover in the year of £20,428,978 (*2021: £20,309,033*) was in line with the prior year. The operating profit was £3,549,471 (*2021: £2,469,661*).

Proposed dividend and transfer to reserves

No dividends have been paid in the year and no dividends are proposed *(2021: £1,300,000)*. Retained profit of £3,689,938 *(2021: £2,554,110)* has been transferred to reserves.

Directors

The directors who held office during the year and up to the date of this report are listed below:
T Sykes (resigned 1 December 2022)
R Hughes
S Line (appointed 1 December 2022)

Research and development

The value of research expensed in the year was £nil *(2021: £nil)*.

The Company capitalised £2,209,604 during the period on development of software products (*2021: £2,555,803*).

Political and charitable donations

The Company made no political donations during the year *(2021: £nil)*. The Company made charitable donations during the year of £1,262 *(2021: £2,082)*.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the board

R Hughes
Director

Riverview Court
Castle Gate
Wetherby LS22 6LE

21 December 2022

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROACTIS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Proactis Limited ("the Company") for the year ended 31 July 2022 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROACTIS LIMITED *(continued)*

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

The audit team was structured with the appropriate experience and competence, including component audit teams, and specialists were used where further specific knowledge was required including in areas relating to laws and regulations, for example an independent tax review.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROACTIS LIMITED *(continued)*

As part of the audit, we gained an understanding of the legal and regulatory framework applicable to the Company, the industries and geographies in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, company law and tax legislation in the jurisdictions within which the Company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to improve performances and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made in significant accounting estimates;
- Specific reviews over journal entries to revenue to ensure postings to revenue were reasonable, required and not arbitrarily improving performance;
- Identifying and testing journal entries on the areas where we identified significant risks, being cash, revenue, material postings, and any with unusual entry combinations;
- Holding discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Review of minutes of Board meetings throughout the period, to identify any inconsistencies with our audit work or matters of which we needed to be aware.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:
Mark Langford
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Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, UK
21 December 2022

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

Profit and loss account and other comprehensive income

for the year ended 31 July 2022

	Note	2022	2021
		£	£
			Restated*
Turnover	*2*	**20,428,978**	20,309,033
Cost of sales		**(2,743,754)**	(2,729,512)
Gross profit		**17,685,224**	17,579,521
Administration costs		**(14,135,753)**	(15,109,860)
Operating profit	*3*	**3,549,471**	2,469,661
Interest receivable	*5*	**443**	156
Interest payable	*6*	**(49,730)**	(29,144)
Profit before taxation		**3,500,184**	2,440,673
Tax credit on profit	*7*	**189,754**	113,437
Profit for the financial year		**3,689,938**	2,554,110

All trading relates to continuing operations in both the current year and prior year.

There was no other comprehensive income for either period.

The notes on pages 14 to 29 form part of these financial statements.

* Refer to note 2

Balance sheet
at 31 July 2022

	Note	2022	2021
		£	£
Fixed assets			
Intangible assets	*8*	**5,022,028**	5,490,743
Tangible assets	*9*	**431,906**	595,506
Investments	*10*	**-**	-
Debtors: amounts due after more than one year	*11*	**7,536,003**	5,111,698
Deferred tax asset	*14*	**197,232**	7,478
		13,187,169	11,205,425
Current assets			
Debtors: amounts due within one year	*11*	**9,062,291**	8,213,261
Cash at bank and in hand		**823,954**	573,366
		9,886,245	8,786,627
Creditors: amounts falling due within one year	*12*	**(11,172,863)**	(11,677,205)
Net current liabilities		**(1,286,618)**	(2,890,578)
Creditors due after more than one year	*13*	**(88,773)**	(193,007)
Net assets		**11,811,778**	8,121,840
Financed by:			
Capital and reserves			
Called up share capital	*16*	**204,629**	204,629
Merger reserve		**(2,517,662)**	(2,517,662)
Profit and loss account		**14,124,811**	10,434,873
Equity shareholders' funds		**11,811,778**	8,121,840

The notes on pages 14 to 29 form part of these financial statements.

These financial statements were approved by the board of directors on 21 December 2022 and were signed on its behalf by:

R Hughes
Director

Statement of changes in equity

	Called up Share Capital	Merger Reserve	Profit and Loss Account	Total
	£	£	£	£
As at 31 July 2020	204,629	(2,517,662)	8,711,636	6,398,603
Total comprehensive income				
Result for the period	-	-	2,554,110	2,554,110
Transactions with owners of the company				
Share based payments	-	-	469,127	469,127
Dividend payments	-	-	(1,300,000)	(1,300,000)
As at 31 July 2021	204,629	(2,517,662)	10,434,873	8,121,840
Total comprehensive income				
Result for the period	-	-	3,689,938	3,689,938
As at 31 July 2022	**204,629**	**(2,517,662)**	**14,124,811**	**11,811,778**

The notes on pages 14 to 29 form part of these financial statements.

Notes to the financial statements
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards ("IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's intermediate parent, Proactis Topco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Proactis Topco Limited are prepared in accordance with UK adopted International Financial Reporting Standards and are available to the public and may be obtained from Riverview Court, Castle Gate, Wetherby, LS22 6LE. These financial statements present information about the Company as an individual undertaking and not about its group.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, ;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures required under IFRS 15 *Revenue from Contracts with Customers*, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The financial statements have been approved on the assumption that the Company remains a going concern. The following paragraphs summarise the issues and basis on which the directors have reached their conclusion.

Notwithstanding net current liabilities at 31 July 2021 of £1,286,618 (*2021: £2,890,578*), the Directors have prepared the financial statements on a going concern basis. Net current liabilities at 31 July 2021 include £7,474,088 (*2021: £7,149,829*) of contract liabilities, which does not represent expected cash outflows. Excluding this, the Company has net current assets of £6,187,470 (*2021: £4,259,251*). Whilst the Company has generated a profit for the year of £3,689,938, is cash generative, and has net assets at 31 July 2022 of £11,811,778, the Company is a guarantor to the Group bank facility agreement and is ultimately financed by the Group facility.

The bank facilities with HSBC consist of £35m debt facility including a £20m Term Loan and a £15m Revolving Credit Facility, both with a ratcheted coupon rate of at least 2.5% over SONIA and no higher than 6.5% over SONIA. The financial covenants of this facility include net leverage, interest cover, and cashflow cover.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Net bank debt of the Group at 31 July 2022 was £29.1m (2021: £38.5m), comprising cash balances of £6.3m and gross bank debt of £35.4m. At 31 July 2022 the Group was fully drawn down on the Revolving Credit Facility with the next amortisation being due on the Term Loan on 30 November 2022.

At 30 November 2022 an amendment to the banking facilities was signed and included the following amendments:

- A change to the profit definition on the Interest Cover covenant to use Adjusted Cash EBITDA rather than Adjusted EBIT; and
- Updated covenant suite.

The directors have prepared Group forecasts covering the period to 31 July 2024 and have assessed the ability of the Group to meet its liabilities as they fall due in the 18 month period from the date of the approval of these financial statements. These forecasts reflect the director's plausible assumptions about trading performance, including a number of assumptions in relation to recurring revenue, new business wins and discretionary spend category cost savings. In this scenario, the Group is expected to maintain sufficient liquidity and remain in compliance with covenants throughout the forecast period.

Whilst the Group's cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast recurring revenue and new business wins and also the director's ability to implement cost saving initiatives in areas of discretionary spend where required. If future trading performance significantly underperforms the Group's forecasts, this could impact the ability of the Group to comply with its covenant tests over the period of the forecasts.

The Company is dependent on the company's ultimate parent company, Proactis Holdings Limited, not seeking repayment of the amounts currently due to the Group, which at 31 July 2022 amounted to £691,910. Proactis Holdings Limited has indicated its intention to continue to make available such funds as are required by the Company for at least twelve months from the date of the approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of 12 months from the date of approval of these financial statements. Accordingly, the Company financial statements have been prepared on a going concern basis.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Revenue recognition

IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard requires revenue earned to be recognised in line with performance obligations based on a five step model. The Company identifies its performance obligations with respect to the different services being provided. The following summarises the performance obligations that the Company has identified for significant revenue lines and provides information regarding the performance obligation and the revenue recognition policy.

Customers are split between Buyer and Supplier customers across the company's product and service portfolio. The definitions for type of revenue recognitions across SaaS and Service revenue is also identified by customer type after each definition.

SaaS revenue:

- Revenue from hosted software subscription fees, software maintenance, software support and hosting services are recognised on a straight-line basis as their separate performance obligations are met over the period of supply. The period of supply being from the date of go-live, as defined in the contract, over the term of the contract. *(Buyer and Supplier customers)*
- Revenue from non-hosted software fees usually consists of 2 performance obligations being the issue of a licence to a customer which enables them to utilise the software and the ongoing maintenance and support for the customer. The provision of the licence is recognised at a point in time as performance obligations are met at the point of the supply given that the performance obligation is deemed to have been discharged with no ongoing obligations following the activation of the licence. In this instance, the transaction price is allocated according to the observable standalone selling price of the relative components. The software maintenance is a separate performance obligation that is met, as noted above, over the period of supply. It should be noted that the significant proportion of software sales within the company are hosted. *(Buyer customers)*
- Revenue from managed services is recognised as performance obligations are met over the period of supply. The period of supply being from the either the contract date or the point of go live (as defined in the contract), over the term of the contract. The managed services may either be met on a straight-line basis over the period of supply or on a utilisation basis (as defined in the contract) depending on whether the contract states an unlimited or limited number of events are to be delivered by the Group. Managed services include provision of scanning services. *(Buyer customers)*

Services revenue:

- Revenue from consultancy services is recognised systematically over the period of time that delivery to a customer has occurred in line with the work completed. Consultancy services includes services such as installation and implementation (technical configuration) services, training and adhoc technical and consultancy services. The provision of implementation services does not create an asset with an alternative use for the company and the company has an enforceable right to payment for the performance of the work completed to date. *(Buyer and Supplier customers)*

Customers pay a fee annually (generally) for a defined contractual term, normally three or five years. In the case where a single contract involves the combination of any or all of the revenue types described above, the amount of consideration is derived from an assessment of the fair value of each of the individual constituent elements of the goods and services provided. The revenue allocated to each element is recognised as outlined above. The company is able to reliably measure the fair value of each element of these contracts using a combination of factors including the contract price agreed with the client, through consideration of the relative value of each element of the contract and through the contract price charged for those elements in similar circumstances with other clients.

Revenue invoiced but not recognised in the income statement under this policy is classified as contract liabilities in the balance sheet. Revenue billed in arrears is accrued only if it is highly probable that it will not significantly reverse and is classified as trade and other receivables in the balance sheet.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

The company utilises business partners to access certain markets as distributors. Where a business partner sells the company's products or services and Proactis retains the control and responsibility for the product, the sale is treated as revenue by the company and the commission payable to the business partner is capitalised and expensed over the life of the contract as a cost of sale. Proactis approves the pricing structures between the business partners and the end customer.

Revenue is also generated from revenue streams within the Proactis Group. There are 3 distinct revenue streams as defined below:

- Revenue from the license of software by the Product Owner to the local Sales Entities are recognised on a straight-line basis as their separate performance obligations are met over the period of supply. The period of supply being from the date of an end-customer go-live, as defined in the end-customer contract, over the term of the contract.
- Revenue from the provision of software development support services by Development Companies to the Product Owners is recognised systematically over the period of time that delivery to a customer has occurred in line with the work completed.
- Revenue from the provision of shared services by Strategic Service Providers to other Group entities ('Service Recipients') is recognised systematically over the period of time that delivery to a customer has occurred in line with the work completed.

As is required under IFRS 15, trade receivables that are not yet due for payment and relate to services to be provided in the future are netted off with the associated contract liability. Trade receivables that are not yet due for payment and relate to services that have already been provided are classified as contract assets.

Depreciation of tangible fixed assets

Property, plant and equipment are held at cost less accumulated depreciation and impairment charges. Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of property, plant and equipment over their estimated useful lives as follows:

Computer equipment	33 1/3% on cost
Office furniture and equipment	20% on cost

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are amortised over their useful economic life, over a period not exceeding five years (2021: 5 years). Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Development costs capitalised and included as an asset within the financial statements have not been treated as a realised loss for the purpose of determining distributable reserves.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Software for own use

Software for own use is held at cost less accumulated amortisation and impairment charges. Software for own use is amortised over their useful economic life, over a period not exceeding five years (2021: 5 years).

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use over their useful economic life, over a period not exceeding five years (2021: five years).

Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The Directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required.

Trade and other receivables

Trade receivables are recognised initially at fair value. Trade receivables that are past due are considered individually for impairment. The Company has applied the IFRS 9 approach to measuring expected credit losses. An expected credit methodology based on 2 year historic data has been used as an indicator for impairment. The Company has no reason to expect that the 2 year historic data would not provide a fair indicator of the future impairment.

Trade receivables that are not yet due for payment and relate to services to be provided in the future are netted off with the associated contract liability as is required under IFRS 15. Trade receivables that are not yet due for payment and relate to services that have already been provided are classified as contract assets as is required under IFRS 15.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Financial assets

The Company classifies its financial assets as loans and receivables measured at amortised cost and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors). They are carried at amortised cost.

Financial liabilities

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Leases

Following the transition to IFRS 16, the Company considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or alternatively, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Maintenance payments which vary are not included within the measurement of the initial lease liability; these are instead recognised in the Income Statement in line with their usage.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

As permitted, the Company has elected not to apply the requirements of IFRS 16 for either short-term leases or leases of low-value assets. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Right-of-use assets have been included in property, plant and equipment and lease liabilities have been included within their own category in the Statement of Financial Position.

Notes to the financial statements *(continued)*

2 Turnover

Turnover :	2022 £	2021 £ Restated
Income from external customers	**16,776,919**	16,330,382
Income from other group companies	**3,652,059**	3,978,651
	20,428,978	20,309,033

Prior period restatement

Turnover has been restated in the prior year to include income generated from other group companies. This income was previously included within administration costs. This has resulted in an increase in the turnover for the year ended July 2021 of £3,978,651 from £16,330,382 to £20,309,033. It has also resulted in an increase in the administration costs expenses for the year ended July 2021 of £3,978,651 from £11,131,209 to £15,109,860. Operating profit for the year ended July 2021 remains the same while gross profit has increased by £3,978,651 from £13,600,870 to £17,579,521.

3 Operating profit

Operating profit is stated after charging:		2022 £	2021 £
Amortisation of software for own use and development costs		**2,678,319**	2,742,900
Depreciation of fixed assets		**269,713**	274,032
Loss on disposal of fixed assets		**-**	737
Auditor's remuneration	- audit of these financial statements	**59,000**	37,000
	- other services	**190,671**	113,910

4 Staff numbers and costs

The average number of persons employed by the company (excluding directors) during the year was 155 *(2021:166)*.

The aggregate payroll costs of these persons were as follows:	2022 £	2021 £
Wages and salaries	**7,470,975**	8,460,633
Social security costs	**951,302**	930,835
Other pension costs	**281,177**	322,358
	8,703,454	9,713,826

The directors are remunerated by the company's parent undertaking, Proactis Holdings Limited. The emoluments of the directors are disclosed within the financial statements of Proactis Holdings Limited.

Notes to the financial statements *(continued)*

5 Interest receivable

	2022	2021
	£	£
Other interest	**443**	156
	443	156

6 Interest payable

	2022	2021
	£	£
Intercompany interest	**35,251**	18,199
Other interest	**14,479**	10,945
	49,730	29,144

Notes to the financial statements *(continued)*

7 Tax on profit

	2022	2021
	£	£
Current tax:		
UK corporation tax charge on profit for the period	-	-
Adjustment in respect of prior periods	-	13,635
Total current tax credit	-	13,635
Deferred tax:		
Current year movement on deferred tax	**(189,754)**	(127,072)
Tax credit on profit	**(189,754)**	(113,437)

The company has losses of £3.2m *(2021: £3.9m)* available for carry forward against future trading profits. An asset of £276,000 has been recognised as at 31 July 2022 (*2021: £460,000).* An asset has not been recognised against the full available losses. These losses are utilisable only against the future trading profits from the sale of Marketplace software.

Reconciliation of effective tax rate

The current tax charge for the period is lower *(2021: lower)* than the standard rate of corporation tax in the UK (19%, *2021: 19%).* The differences are explained below.

	2022	2021
	£	£
Profit after tax	**3,689,938**	2,554,110
Total tax credit	**(189,754)**	(113,437)
Profit before tax	**3,500,184**	2,440,673
Current tax charge at 19% (*2021: 19%*)	**665,035**	463,728
Effects of:		
Expenses not deductible for tax purposes	**191,496**	278,786
Recognition of losses and other reliefs	**(127,300)**	(123,500)
Prior year adjustments	-	13,635
Movement in estimate of recoverable deferred tax asset	**184,000**	(80,000)
Movement in deferred tax liability	**(373,754)**	(47,072)
Relief from government tax incentives	-	(123,732)
Group relief	**(729,231)**	(495,282)
Tax credit on profit	**(189,754)**	(113,437)

It was announced that the current corporation tax rate of 19% would be increased to 25% with effect from 1 April 2023. This change was enacted in May 2021. The UK deferred tax asset and liabilities at 31 July 2022 have been calculated based on these rates.

Notes to the financial statements *(continued)*

8 Intangible fixed assets

	Software for Own Use	Development Costs	Total
	£	£	£
Cost:			
At 31 July 2020	304,000	18,302,734	18,606,734
Additions	213,056	2,555,803	2,768,859
At 31 July 2021	517,056	20,858,537	21,375,593
Additions	-	2,209,604	2,209,604
At 31 July 2022	517,056	23,068,141	23,585,197
Amortisation:			
At 31 July 2020	263,467	12,878,483	13,141,950
Charge for year	40,533	2,702,367	2,742,900
At 31 July 2021	304,000	15,580,850	15,884,850
Charge for year	42,612	2,635,707	2,678,319
At 31 July 2022	346,612	18,216,557	18,563,169
Net book value:			
At 31 July 2022	**170,444**	**4,851,584**	**5,022,028**
At 31 July 2021	213,056	5,277,687	5,490,743

Notes to the financial statements *(continued)*

9 Tangible fixed assets

	Computer equipment £	Fixtures & fittings £	Right-of-use assets £	Total assets £
Cost:				
At 31 July 2020	613,433	437,292	657,137	1,707,862
Additions	65,462	-	15,293	80,755
Disposals	(204,759)	(320)	-	(205,079)
At 31 July 2021	474,136	436,972	672,430	1,583,538
Additions	67,738	10,899	27,476	106,113
Disposals	(550)	-	(21,063)	(21,613)
At 31 July 2022	541,324	447,871	678,843	1,668,038
Depreciation:				
At 31 July 2020	514,732	226,509	177,101	918,342
Charge for year	63,465	61,938	148,629	274,032
Disposals	(204,181)	(161)	-	(204,342)
At 31 July 2021	374,016	288,286	325,730	988,032
Charge for year	63,495	61,043	145,175	269,713
Disposals	(550)	-	(21,063)	(21,613)
At 31 July 2022	436,961	349,329	449,842	1,236,132
Net book value:				
At 31 July 2022	**104,363**	**98,542**	**229,001**	**431,906**
At 31 July 2021	100,120	148,686	346,700	595,506

Right-of-use assets are detailed further on the following table

Notes to the financial statements *(continued)*

9 Tangible fixed assets (continued)

Right-of-use assets

	Land and buildings	Motor Vehicles	Fixtures & fittings	Total Right-of-use Assets
	£	£	£	£
Cost:				
At 31 July 2020	566,542	-	90,595	657,137
Additions	-	-	15,293	15,293
Disposals	-	-	-	-
At 31 July 2021	566,542	-	105,888	672,430
Additions	-	27,476	-	27,476
Disposals	-	-	(21,063)	(21,063)
At 31 July 2022	566,542	27,476	84,825	678,843
Depreciation:				
At 31 July 2020	124,393	-	52,708	177,101
Charge for year	124,394	-	24,235	148,629
Disposals	-	-	-	-
At 31 July 2021	248,787	-	76,943	325,730
Charge for year	124,394	3,816	16,965	145,175
Disposals	-	-	(21,063)	(21,063)
At 31 July 2022	373,181	3,816	72,845	449,842
Net book value:				
At 31 July 2022	**193,361**	**23,660**	**11,980**	**229,001**
At 31 July 2021	317,755	-	28,945	346,700

Right-of-use assets include equipment previously held within fixtures and fittings under IAS17 – Leases with a net book value of £nil (2021: *£13,907*).

Notes to the financial statements *(continued)*

10 Fixed asset investments

	Shares in subsidiary undertakings
	£
Cost and net book value	
At 31 July 2020 and 31 July 2021	-

Following a transfer of trade and assets on 1 August 2018, there is no remaining investment value in subsidiaries.

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held	Direct/ Indirect
Proactis Accelerated Payments Limited	England and Wales	Non-trading	Ordinary 100%	Direct
EGS Group Holdings Limited	England and Wales	Non-trading	Ordinary 100%	Direct
EGS Group Limited	England and Wales	Non-trading	Ordinary 100%	Indirect

The registered offices of all subsidiary undertakings is: Riverview Court, Castle Gate, Wetherby, LS22 6LE.

EGS Group Holdings Limited and EGS Group Limited have both been struck-off the Register of Companies on 20 September 2022 following a strike-off application made on behalf of the companies.

11 Debtors

	2022	2021
	£	£
Debtors due after more than one year:		
Amounts owed by other group companies	**7,536,003**	5,111,698
	7,536,003	5,111,698

	2022	2021
	£	£
Debtors due within one year:		
Trade debtors	**1,218,043**	1,034,236
Amounts owed by other group companies	**4,000,728**	3,609,212
Prepayments and contract assets	**2,719,638**	2,463,258
Deferred contract costs	**1,122,104**	1,106,555
Corporation tax	**1,778**	-
	9,062,291	8,213,261

Amounts owed by other group companies are interest free and repayable on demand. However, the Directors do not expect to recall those amounts classified as "due after more than one year" within 12 months.

Per IFRS15.106, a contract liability and trade receivable should only be shown gross when payment has been received, or the invoice is due, for services not yet provided to the customer. Per IFRS15.107, a contract asset should be recognised when an entity transfers a service to a customer before the customer pays consideration or before payment is due.

As such, the following adjustments are reflected in the financial statements. A reduction in the trade receivables balance of £894,147 (*2021: £940,803*), an increase in contract assets of £51,110 (*2021: £24,393*) and a reduction in the associated contract liability balance of £843,037 (*2021: £916,410*).

Notes to the financial statements *(continued)*

12 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	**521,790**	574,493
Other taxes and social security costs	**979,270**	846,090
Accruals and contract liabilities	**8,851,817**	8,520,255
Amounts owed to parent undertaking	**-**	-
Amounts owed to other group companies	**691,908**	1,595,545
Amounts owed to subsidiary undertakings	**2**	2
Lease liabilities	**128,076**	140,820
	11,172,863	11,677,205

Amounts owed to other group companies are interest free and repayable on demand.

13 Creditors: amounts falling after more than one year

	2022	2021
	£	£
Lease liabilities	**88,773**	193,007
	88,773	193,007

14 Deferred tax

Deferred tax		
Asset on trading loss	**276,000**	460,000
Liability on development costs	**(78,768)**	(452,522)
Deferred tax asset	**197,232**	7,478

Movement in deferred tax for the year ended 31 July 2022

Deferred tax liability reconciliation	**As at 31 July 2021**	**P&L movements**	**As at 31 July 2022**
Asset on trading losses	460,000	(184,000)	**276,000**
Liability on development costs	(452,522)	373,754	**(78,768)**
	7,478	189,754	**197,232**

Notes to the financial statements *(continued)*

15 Lease Liabilities

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 8 of these financial statements. A maturity analysis of lease liabilities is set out below.

The Company also enters into short-term leases and low value leases which are not recognised as right of use assets and lease liabilities. There was no expense recognised in the period in relation to these leases *(2021: £nil)*.

There was no expense relating to variable lease payments not included in the measurement of lease liabilities *(2021: £nil)*.

Maturity analysis – contractual undiscounted cash flows	**2022**	2021
	£	£
- Within one year	**132,513**	133,200
- Between one and two years	**78,763**	126,117
- Between two and five years	**11,397**	74,424
- After more than five years	**-**	-
	222,673	333,741

Amounts recognised in profit and loss account	**2022**	2021
	£	£
Interest on lease liabilities adopted under IFRS 16	**8,745**	10,945

16 Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
Equity interests:		
2,046,290 *(2021: 2,046,290)* Ordinary shares of 10p each	**204,629**	204,629

17 Commitments

There were no capital commitments existing at 31 July 2021 or 31 July 2022.

18 Pension costs

The company operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and other personal pensions and amounted to £281,177 *(2021: £322,358)*. There were outstanding contributions at the end of the financial year £53,365 *(2021: £63,010)*.

Notes to the financial statements *(continued)*

19 Related parties

The exemption has been taken under FRS 101 in respect of the disclosure of transactions with fellow wholly owned subsidiaries.

20 Accounting estimates and judgements

The Directors discussed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these polices and estimates. The accounting policies are set out in Note 1.

The Directors consider that the key estimates made in preparation of the financial statements are:

Carrying value of intangible fixed assets
A number of commercial and financial assumptions and estimates have been made to support both the initial recognition and the current carrying values of the intangible asset category of development costs. These assets are detailed within note 8.

21 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Proactis Holdings Limited, a company registered in England and Wales, whose registered address is Riverview Court, Castle Gate, Wetherby, LS22 6LE.

The ultimate parent company is Cafe Parentco Limited, a company registered in England and Wales, whose registered address is 11-12 Hanover Square, London, W1S 1JJ.

The largest company into which the company results are consolidated is Proactis Topco Limited, a company registered in England and Wales, whose registered address is Riverview Court, Castle Gate, Wetherby, LS22 6LE. Copies of the consolidated financial statements of Proactis Topco may be obtained from this address.

22 Post balance sheet events

On 30 November 2022 an amendment to the Group banking facilities was signed and included the following amendments:

- A change to the profit definition on the Interest Cover covenant to use Adjusted Cash EBITDA rather than Adjusted EBIT; and
- Updated covenant suite.