Proactis Limited

Annual Report and Financial Statements
Registered number 03182974
Year Ended 31 July 2021

Contents

Company information

Directors
T Sykes
R Hughes

Registered office
Riverview Court
Castle Gate
Wetherby
LS22 6LE

Auditor
BDO LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

Solicitor
Walker Morris Solicitors
33 Wellington Street
Leeds
LS1 4DL

Principal banker
HSBC Bank plc
13 Parliament Street
York
YO1 8XS

Strategic report

Growth strategy

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
- Roll out bePayd
- 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 sup-port 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, tender services and the Group's accelerated payment facility, bePayd.

The Group was previously quoted on AIM and de-listed on 28 July 2021 as a consequence of an acquisition by joint offerors Pollen Street Capital and DBAY Advisors. Both parties support management's plan.

As the key UK operating unit in the Group, Proactis Limited aims to deliver this strategy as appropriate in the UK.

Business performance and strategy

The Company's financial performance is set out on page 11. The turnover in the year of £16,330,382 (*2020: £16,043,374*) was in line with the prior year. The operating profit was £2,469,661 (*2020: £3,377,368*).

Key Performance Indicators
The Company secured 35 new names *(2020: 31)* in addition to 123 upsell deals sold to existing customers *(2020: 86)*.

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

Strategic report *(continued)*

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.

Financial solutions
The Group brought its new early settlement solution, bePayd, to market shortly before the emergence of COVID-19. The solution allows suppliers to accelerate the payment of a customer approved invoice in return for a small discount and is primarily aimed at the long tail of small suppliers in the supply chain, a population that is under-served. At launch, the solution is market leading in its simplicity, speed and convenience without any detriment to security or risk. The solution is entirely flexible down to single invoice level with extremely low values because of the end to end automation of the process. Funding of the early settlement can be provided by either the customer or Proactis (through a dedicated facility with HSBC) or a blended model.

Early adopters have been identified and the Group looks forward to implementation and working with these customers to roll out the solution with a view to testing and optimising take-up within their supply chains.

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
COVID-19	The Group is exposed to the COVID-19 global pandemic and the associated impacts on the macro-economic environment through the following: • Delays in pipeline conversion • Project implementation deferrals • Lower transactions in volume-based contracts • Customer solvency	The Board and ELT monitor this area regularly through its normal commercial and finance monitoring controls. Appropriate actions are taken on a case by case basis with customers impacted by the global pandemic.

Strategic report *(continued)*

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 ELT 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.
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 ELT meetings and appropriate actions agreed, if required.

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. On 21 May 2021, Proactis announced prompt action had been taken following a cyber security incident where the Company had detected unauthorised access to a limited number of its internal systems. Following the incident the Company received a forensic report from the external cyber security experts appointed to conduct an investigation. The conclusion of the report is that limited customer data in one division of the Group's business was extracted, with all relevant customers having been notified where appropriate such that the Company now considers the matter concluded.
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 ELT monitor this area regularly.

R Hughes
Director

Riverview Court, Castle Gate
Wetherby LS22 6LE

10 December 2021

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2021.

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 £16,330,382 (*2020: £16,043,374*) was in line with the prior year. The operating profit was £2,469,661 (*2020: £3,377,368*).

Proposed dividend and transfer to reserves

Dividends of £1,300,000 have been paid in the year. No further dividends are proposed *(2020: £nil)*. Retained profit of £2,554,110 *(2020: £3,272,880)* 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
S McDonough (resigned 30 September 2020)
R Hughes

Research and development

The value of research expensed in the year was £nil *(2020: £nil)*.

Political and charitable donations

The Company made no political donations during the year *(2020: £nil)*. The Company made charitable donations during the year of £2,082 *(2020: £2,050)*.

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 Proactis Group undertook an external tender process for audit services during the current financial year and as a result BDO LLP were appointed as the auditors for the current financial year.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and BDO LLP will therefore continue in office.

By order of the board

R Hughes
Director

Riverview Court
Castle Gate
Wetherby LS22 6LE

10 December 2021

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 2021 and of the Company's 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 for the year ended 31 July 2021 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 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.

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

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

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

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry 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, 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 made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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: 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
10 December 2021

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 2021

	Note	2021	2020
		£	£
Turnover		**16,330,382**	16,043,374
Cost of sales		**(2,729,512)**	(2,796,991)
Gross profit		**13,600,870**	13,246,383
Administration costs		**(11,131,209)**	(9,869,015)
Operating profit	*2*	**2,469,661**	3,377,368
Interest receivable	*4*	**156**	-
Interest payable	*5*	**(29,144)**	(41,956)
Profit before taxation		**2,440,673**	3,335,412
Tax credit/(charge) on profit	*6*	**113,437**	(62,532)
Profit for the financial year		**2,554,110**	3,272,880

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 27 form part of these financial statements.

Balance sheet
at 31 July 2021

	Note	2021	2020
		£	£
Fixed assets			Restated *
Intangible assets	*7*	**5,490,743**	5,464,784
Tangible assets	*8*	**595,506**	789,520
Investments	*9*	**-**	-
Debtors: amounts due after more than one year	*10*	**5,111,698**	4,270,887
Deferred tax asset	*13*	**7,478**	-
		11,205,425	10,525,191
Current assets			
Debtors: amounts due within one year	*10*	**8,213,261**	6,735,434
Cash at bank and in hand		**573,366**	666,223
		8,786,627	7,401,657
Creditors: amounts falling due within one year	*11*	**(11,677,205)**	(11,090,230)
Net current liabilities		**(2,890,578)**	(3,688,573)
Creditors due after more than one year	*12*	**(193,007)**	(438,015)
Net assets		**8,121,840**	6,398,603
Financed by:			
Capital and reserves			
Called up share capital	*15*	**204,629**	204,629
Merger reserve		**(2,517,662)**	(2,517,662)
Profit and loss account		**10,434,873**	8,711,636
Equity shareholders' funds		**8,121,840**	6,398,603

The notes on pages 14 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 10 December 2021 and were signed on its behalf by:

R Hughes
Director

*restatements detailed in notes 7 and 10.

Statement of changes in equity
for the year ended 31 July 2021

	Called up Share Capital	Merger Reserve	Profit and Loss Account	Total
	£	£	£	£
As at 31 July 2019 (as previously stated)	204,629	(2,517,662)	6,195,070	3,882,037
Restatement – note 7	-	-	(829,027)	(829,027)
As at 31 July 2019 (restated)	204,629	(2,517,662)	5,366,043	3,053,010
Total comprehensive income				
Result for the period	-	-	3,272,880	3,272,880
Transactions with owners of the company				
Share based payments	-	-	72,713	72,713
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**

The notes on pages 14 to 27 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 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 ultimate parent undertaking, Proactis Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Proactis Holdings Limited are prepared in accordance with 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, tangible fixed assets, intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- 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 £2,550,578 (*2020: £3,688,573*), the Directors have prepared the financial statements on a going concern basis. Net current liabilities at 31 July 2021 include £7,149,829 (*2020: £6,796,833*) of contract liabilities, which does not represent expected cash outflows. Excluding this, the Company has net current assets of £4,599,251 (*2020: £3,108,260*). Whilst the Company has generated a profit for the year of £2,554,110, is cash generative, and has net assets at 31 July 2021 of £8,121,840, 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 £50m debt facility including a £15.0m term loan, with a coupon rate of 1.95% over LIBOR, and a £35m revolving credit facility, with a ratcheted coupon rate of at least 1.75% over LIBOR and no higher than 3.5% over LIBOR.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Net bank debt of the Group at 31 July 2021 was £38.5m (2020: £37.1m), comprising cash balances of £3.4m and gross bank debt of £41.9m. The financial covenants of this facility include forecast liquidity, net leverage and interest cover. The Group has prepared a sensitised cash flow model up to and including the period ending 31 July 2024, which shows increasing cash flows into the future as the business grows. The Group's forecasts and projections are completed on a prudent basis and consider the effect of reasonably possible changes in trading performance. These show that the Group should be able to operate within the level of its current facilities and banking covenants.

On 30 November 2021 new bank facilities were signed with HSBC. These new facilities consist of £35m debt facility including a £20m term loan and a £15m revolving credit facility, with a ratcheted coupon rate of at least 2.50% and no higher than 6.50%. At 31 July 2021 gross bank debt was £41.9m and as a result of the acquisition, a debt repayment of £6.8m was made to HSBC using funds provided by the new owners. The Group's forecasts and projections show that the Group should be able to operate within the level of its new facilities and banking covenants.

The directors have prepared Group forecasts covering the period to 31 July 2024, taking into account the possible impact of COVID-19 on trading performance 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 the duration and extent of the impact of COVID-19 on 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.

Due to the uncertainty over the duration and extent of the impact of COVID-19, the Directors have modelled a severe but plausible downside scenario when preparing the forecasts. The scenario considered includes a reduction and delay in new business wins. Assumptions have been made around the scale and duration of any COVID-19 related disruption. Mitigating actions within the control of management, including reductions in areas of discretionary spend, have been modelled. It is difficult to predict the overall outcome and impact of COVID-19 and the duration of disruption could be longer than anticipated. Under the severe but plausible downside scenario modelled and after allowing for the effect of mitigating actions within the control of management, the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and remain in compliance with covenants throughout the forecast period.

It is difficult to predict the overall outcome and impact of COVID-19, but under the above scenario analysis, the Group has sufficient liquidity and resources throughout the period under review whilst still maintaining adequate headroom against overall facilities.

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 2021 amounted to £1,595,547. 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 Contract 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 it 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.

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

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 (2020: 5 years

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested at least annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

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 (2020: 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)

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 (2020: 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.

The Group has considered the impacts during the period of COVID-19 on the trade receivables and as a result has no reason to revise this methodology.

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.

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.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

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 Operating profit

Operating profit is stated after charging:	2021 £	2020 £
Amortisation of software for own use and development costs	**2,742,900**	1,884,109
Depreciation of fixed assets	**274,032**	275,516
Loss on disposal of fixed assets	**737**	3,528
Auditor's remuneration - audit of these financial statements	**37,000**	47,500
- other services	**113,910**	5,800
Lease rentals on short-term and low value leases arising under IFRS 16	**-**	54,435

3 Staff numbers and costs

The average number of persons employed by the company (excluding directors) during the year was 166 *(2020:159)*.

The aggregate payroll costs of these persons were as follows:	2021 £	2020 £
Wages and salaries	**8,460,633**	7,894,245
Social security costs	**930,835**	958,412
Other pension costs	**322,358**	299,053
	9,713,826	9,151,710

The share based payments expense represents a charge resulting from the issue of share options in Proactis Limited's parent company, Proactis Holdings Limited to employees of the company. The share based payments charge in the year was £469,127 *(2020: £72,713)*.

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

4 Interest receivable

	2021 £	2020 £
Other interest	**156**	-
	156	-

5 Interest payable

	2021 £	2020 £
Intercompany interest	**18,199**	27,558
Other interest	**10,945**	14,398
	29,144	41,956

Notes to the financial statements *(continued)*

6 Tax on profit

	2021	2020
	£	£
Current tax:		
UK corporation tax charge on profit for the period	-	-
Adjustment in respect of prior periods	**13,635**	(83,102)
Total current tax charge/(credit)	**13,635**	(83,102)
Deferred tax:		
Current year movement on deferred tax	**(127,072)**	145,634
Tax (credit)/charge on profit	**(113,437)**	62,532

The company has losses of £3.9m *(2020: £4.5m)* available for carry forward against future trading profits. An asset of £460,000 has been recognised as at 31 July 2021 (*2020: £380,000)*. 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 *(2020: lower)* than the standard rate of corporation tax in the UK (19%, *2020: 19%)*. The differences are explained below.

	2021	2020
	£	£
Profit after tax	**2,554,110**	3,272,880
Total tax (credit)/ charge	**(113,437)**	62,532
Profit before tax	**2,440,673**	3,335,412
Current tax charge at 19% (*2020: 19%*)	**463,728**	633,728
Effects of:		
Expenses not deductible for tax purposes	**278,786**	32,954
Recognition of losses and other reliefs	**(123,500)**	(72,200)
Prior year adjustments	**13,635**	(83,102)
Movement in estimate of recoverable deferred tax asset	**(80,000)**	21,434
Movement in deferred tax liability	**(47,072)**	124,200
Relief from government tax incentives	**(123,732)**	(272,495)
Group relief	**(495,282)**	(321,987)
Tax (credit)/charge on profit	**(113,437)**	62,532

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 2021 have been calculated based on these rates.

Notes to the financial statements *(continued)*

7 Intangible fixed assets

	Software for Own Use	Development Costs	Customer Related Intangible Assets	Goodwill	Total
	£	£	£	£	£
Cost:					
At 31 July 2019 (restated*)	304,000	15,488,406	-	-	15,792,406
Additions	-	2,814,328	-	-	2,814,328
At 31 July 2020 (restated*)	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
Amortisation:					
At 31 July 2019 (restated)	202,667	11,055,174	-	-	11,257,841
Charge for year	60,800	1,823,309	-	-	1,884,109
At 31 July 2020 (restated)	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
Net book value:					
At 31 July 2021	**213,056**	**5,277,687**	**-**	**-**	**5,490,743**
At 31 July 2020	40,533	5,424,251	-	-	5,464,784

*On performance of a detailed review in the year it was noted that Goodwill and Customer Related Intangible assets should have been fully impaired and disposed of prior to 31 July 2019. As such the position has been retrospectively restated in the current year, resulting in an adjustment to retained earnings as at 31 July 2019 of £829,027.

Notes to the financial statements *(continued)*

8 Tangible fixed assets

	Computer equipment £	Fixtures and Fittings £	Right-of-use, Assets £	Total £
Cost:				
At 31 July 2019	737,297	495,081	-	1,232,378
Recognised on adoption of IFRS 16	-	-	587,605	587,605
Additions	54,896	11,743	-	66,639
Transfers	-	(69,532)	69,532	-
Disposals	(178,760)	-	-	(178,760)
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
Depreciation:				
At 31 July 2019	628,654	189,404	-	818,058
Charge for year	61,310	74,188	140,018	275,516
Transfers	-	(37,083)	37,083	-
Disposals	(175,232)	-	-	(175,232)
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
Net book value:				
At 31 July 2021	**100,120**	**148,686**	**346,700**	**595,506**
At 31 July 2020	98,701	210,783	480,036	789,520

Net book value of right-of-use assets of £346,700 (*2020: £480,036*) includes land and buildings £317,755 (2020: *£442,149*) and fixtures, and fittings £28,945 (2020: *£37,887*).

Additions in relation to right-of-use assets of £15,293 (2020: *£nil*) includes land and buildings £nil (2020: *£nil*) and fixtures and fittings £15,293 (2020: *£nil*).

Depreciation charge in relation to right-of-use assets of £148,629 (2020: *£140,018*) includes land and buildings £124,394 (2020: *£124,394*) and fixtures and fittings £24,235 (2020: *£15,624*).

Right-of-use assets include equipment previously held within fixtures and fittings under IAS17 – Leases with a net book value of £13,907 (2020: *£27,813*).

Notes to the financial statements *(continued)*

9 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.

10 Debtors

	2021 £	2020 £
Debtors due after more than one year:		
Amounts owed by other group companies	**5,111,698**	4,270,887
	5,111,698	4,270,887

	2021 £	2020 £ Restated
Debtors due within one year:		
Trade debtors	**1,034,236**	807,299
Amounts owed by other group companies	**3,609,212**	2,341,800
Prepayments and contract assets	**2,463,258**	2,556,934
Deferred contract costs	**1,106,555**	1,029,349
Corporation tax	**-**	52
	8,213,261	6,735,434

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.

On a detailed review of IFRS 15 it was noted that two adjustments were required to the presentation of trade receivables. 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, a detailed review of the trade debtors 'not yet due' for payment at year end was performed. The review resulted in a reduction in the trade receivables balance of £940,803 *(2020: £691,569)*, an increased in contract assets of £24,393 *(2020: £10,282)* and a reduction in the associated contract liability balance of £916,410 *(2020: £681,287)*. The comparative position has been restated this year. There was no impact to profit for the year or net assets of the Company in respect of these adjustments.

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	2021	2020
	£	£
		Restated*
Trade creditors	574,493	470,846
Other taxes and social security costs	846,090	777,125
Accruals and contract liabilities	8,520,255	7,566,785
Amounts owed to parent undertaking	-	303,854
Amounts owed to other group companies	1,595,545	1,829,305
Amounts owed to subsidiary undertakings	2	2
Lease liabilities	140,820	142,313
	11,677,205	11,090,230

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

*restatement detailed in note 10

12 Creditors: amounts falling after more than one year

	2021	2020
	£	£
Lease liabilities	193,007	318,421
Deferred tax liability (see note 13)	-	119,594
	193,007	438,015

13 Deferred tax

	2021	2020
Deferred tax		
Asset on trading loss	460,000	380,000
Liability on development costs	(452,522)	(499,594)
Deferred tax asset/(liability)	7,478	(119,594)

Movement in deferred tax for the year ended 31 July 2021

Deferred tax liability reconciliation	As at 31 July 2020	P&L movements	As at 31 July 2021
Asset on trading losses	380,000	80,000	460,000
Liability on development costs	(499,594)	47,072	(452,522)
	(119,594)	127,072	7,478

Notes to the financial statements *(continued)*

14 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. The expense recognised in the period in relation to these leases is disclosed in note 2.

The expense relating to variable lease payments not included in the measurement of lease liabilities is disclosed in note 2.

Maturity analysis – contractual undiscounted cash flows	**2021**	2020
	£	£
- Within one year	**133,200**	137,500
- Between one and two years	**126,117**	130,000
- Between two and five years	**74,424**	188,542
- After more than five years	**-**	-
	333,741	456,042

Amounts recognised in profit and loss account	**2021**	2020
	£	£
Interest on lease liabilities adopted under IFRS 16	**10,945**	14,398

15 Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
Equity interests:		
2,046,290 *(2020: 2,046,290)* Ordinary shares of 10p each	**204,629**	204,629

16 Commitments

There were no capital commitments existing at 31 July 2021 or 31 July 2020.

17 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 £322,358 *(2020: £299,053)*. There were outstanding contributions at the end of the financial year £63,010 *(2020: £61,886)*.

Notes to the financial statements *(continued)*

18 Related parties

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

19 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 7.

21 Ultimate parent company

The company is a subsidiary undertaking of Proactis Holdings Limited, which is the ultimate parent company incorporated in England and Wales.

The consolidated financial statements of Proactis Holdings Limited are available to the public and can be obtained from:

Riverview Court
Castle Gate
Wetherby
LS22 6LE

22 Post balance sheet events

On 30 November 2021 new bank facilities were signed with HSBC. These new facilities consist of £35m debt facility including a £20m term loan and a £15m revolving credit facility, with a ratcheted coupon rate of at least 2.50% and no higher than 6.50%.

At 31 July 2021 gross bank debt was £41.9m and as a result of the acquisition, a debt repayment of £6.8m was made to HSBC using funds provided by the new owners. The Group's forecasts and projections show that the Group should be able to operate within the level of its new facilities and banking covenants.